

# FINANCIAL TIMES

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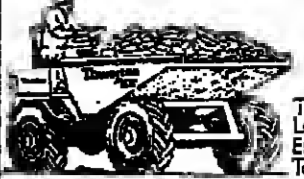
Monday February 22 1982

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## NEWS SUMMARY

### GENERAL

#### Plea for U.S. to leave El Salvador

Clarence Long, chairman of the House of Representatives subcommittee on foreign appropriations, has said the U.S. should "pull right out" of El Salvador at a stop "pouring money into a bottomless pit."

### BUSINESS

#### Changes in setting directors' pay urged

COMPANY DIRECTORS should not fix their own pay and terms of service, says a new code of practice published by the Institute of Directors.

#### BRITISH AIRWAYS

is expected to lose at least £200m in the financial year to the end of March but expects to break even or make a small profit in 1982/83.

#### FALLING OIL

prices are forcing delays in investment projects costing billions of pounds, oil companies say.

#### French interest rates

showed an upward trend in the latter part of last week, after Paris call money had touched the lowest level since May on Tuesday.

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## EMS under strain as Belgium and Denmark seek to devalue

BY JOHN WYLES IN BRUSSELS

A BELGIAN attempt to devalue its franc by 12 per cent was being blocked last night by its partners in the European Monetary System. They complained that they were being asked to agree to a move which would undermine their competitiveness.

Other EMS members were taken aback by the ambitious scale of the Belgian proposal and by the fact that it had induced Denmark to lodge a request for a 7 per cent devaluation of the krone.

The Danish move was considered opportunistic by most EEC Finance Ministers who had flown here for yesterday's special meeting, and not justified by any undue strains on the currency within the EMS.

The Belgian franc, however, has bumped along at its lowest permitted level within the exchange rate system for long periods over the past three years.

As the ministerial negotiations ran on well into the evening, Mr Willy den Clercq, the Belgian Finance Minister, was reportedly under strong pressure to settle for a devaluation of around 8 per cent.

Mr de Clercq resisted, although he was thought likely to

settle for a 10 per cent shift. Denmark was offered a compromise 3 per cent. Earlier, West Germany argued for a 3 to 4 per cent drop for the Belgian franc. France and Italy suggested 6 per cent, and the Netherlands 8 per cent. Views on the Danish krone ranged from nil to a 2 per cent devaluation.

The Belgian Minister did not

impact of devaluation on prices and incomes.

Reactions of other member States yesterday indicated that they were shocked not only by the abandonment of Belgium's long-standing reluctance to devalue, but also by its adoption of a strategy using heavy devaluations to induce an export-led recovery.

The implications for the trade

would amount to a 22.5 per cent drop against the DM, he observed.

The Belgium move could also spell the demise of the 61-year-old monetary union between Belgium and Luxembourg. The Luxembourg Minister of Finance stood firm against any parallel devaluation of his currency, Belgium's.

Unlike the four previous EMS realignment negotiations, which have tended to concentrate on establishing the right parities to stabilise the system, Ministers were last night focusing as closely on the impact on the Belgian economy of a double-digit devaluation.

Several delegations made no secret of their belief that devaluation could intensify Belgium's 5 per cent inflation rate, despite attempts to trim the wage-price index.

This is largely because the Belgian economy is so sensitive to import prices since imports represent 25 per cent of the gross national product. Also, the Belgian Government made it clear that it wants a parallel devaluation of its "green currency" which translates the EEC farm prices into Belgian francs. The effect of this would be to increase food prices

## Deadline postponement raises hopes at Times

BY IVO DAWNAY, LABOUR STAFF

HOPES OF averting the closure of the *Times* and *Sunday Times*—threatened for today—rose last night when Mr Rupert Murdoch, *Times* Newspapers proprietor, agreed to put back for 24 hours the deadline set for agreement of the company's redundancy plans.

After eight hours of talks, Mr Murdoch and the five print union general secretaries stated that progress had been made in some areas during the talks on the future of the two newspapers.

The joint statement went on: "In view of this, Mr Murdoch has agreed to a request by the union leaders for an extension of 24 hours for discussion to be brought to a conclusion in all major areas of contention."

If the talks were successful, a further 24 hours would be given for the resolution of any inter-union matters that might arise, the statement ended.

Making the announcement, Mr Murdoch added that negotiations were in a "very delicate condition," but, due to the

"leadership and goodwill" of the general secretaries, he had agreed to extend the deadline.

Asked if he was still insisting on 800 redundancies and the abolition of 900 casual shifts, Mr Murdoch would only comment: "We want savings of a lot of money."

Mr Bill Keys, general secretary of the Society of Graphical and Allied Trades, said that sufficient progress had been made during the talks yesterday to enable the unions to reach agreement with the company within the new 24-hour deadline.

Mr Arthur Britenden, corporate relations director for the parent company, News International, said that the talks would be resumed early this morning. A *Times* Newspapers board meeting, due to discuss closure today, was likely to be postponed.

The breakthrough came after a week of growing doubts that Mr Murdoch's deadline for agreement could be met. In a statement on Saturday, he re-

peated his warning that the papers would close if a settlement were not reached today, adding that the state of negotiations remained "bleak."

But there were some indications over the weekend that agreement with one key department—the *Sunday Times* machine assistants—could be found if the deadline were extended.

An official of the *Sunday Times* machine room chapel of the National Society of Operative Printers, Graphical and Media Personnel, said: "I am convinced we could have a deal with management, if I was allowed two weeks to discuss the details with my members."

The company is seeking to cut 155 of the 450 casual shifts worked by machine assistants on the *Sunday Times*.

The future of the papers may turn on talks with the Natsope clerical chapels, where the company is seeking 390 jobs cut from the current 670. So far, only 55 clerical workers have volunteered for redundancy.

## Poland plans to curb unions

BY OUR FOREIGN STAFF

THE POLISH Government yesterday published guidelines for the future of the trade union movement with a call for workers to resist a return to the "political extremism" of Solidarity.

The proposals, which take the form of a draft law, seem designed to prevent the resurgence of any workers' organisation with the appeal and power of Solidarity, which claimed 10m members at the time it was suspended on December 13.

Changing that Solidarity grew into a destructive political force which threatened the existence of the state, the document made plain that the new unions should toe the orthodox Communist Party line, concern themselves only with bread-and-butter issues, and refrain from

campaigning at national level.

The document made no mention of plans for the interned leaders of Solidarity, nor did it recommend talks with Mr Lech Walesa and the union's other elected leaders.

It praised the pro-Communist unions which were overshadowed during the rise of Solidarity after August 1980, and made clear that any new movement would have to be subordinate to the ruling establishment.

The authorities also plan to strictly limit the right to strike and to bar all civil servants and police from union membership.

"Strikes should be permissible only after all other means have been exhausted... there can be no place for strikes with political character," said the draft.

It recommended a return to unions based on industries rather than regions.

The regional structure of Solidarity gave the independent union considerable power, enabling it to bring large areas of the country to a standstill in support of its demands.

The government officials who produced the document—called "A thesis for discussion"—proposed a new movement which would be a compromise between the independence of Solidarity and the subservience of the old Party-dominated official unions. But it indicated that the new unions' political balance should resemble that of the orthodox pro-Communist organisations.

## More high technology aid sought

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

PLANS for increased Government expenditure of about £150m on high-technology aid schemes have been drawn up by the Department of Industry and sent to the Treasury for approval.

This is in addition to an extra £50m to £100m in guarantees needed by mid-summer to keep in existence the Government-backed loan guarantee scheme for small firms.

Sir Geoffrey Howe, the Chancellor, is expected to announce in his Budget speech on March 9 the release of the £150m already allocated for this scheme.

But Industry Ministers hope he will go beyond that by authorising a further £50m to £100m, and increase the Department's existing £500m general aid budget, which

includes support for high-technology projects.

The Industry Department is also preparing for a small Industry Bill to amend Section Eight of the Industry Act 1972, which limits the amount of selective aid that can be given.

Current aid commitments are within £100m of the existing £160m ceiling. Legislation will be required before the end of the summer.

The main areas of high technology which Mr Patrick Jenkin, the Industry Secretary, wants to help are fibre optics, computer-aided design, robotics, the general application of microprocessors, and other product development.

Existing allocations in some of these areas are running out, and the Department believes others need to be widened in scope.

A £25m, five-year scheme to aid fibre optics, launched last July, has been taken up far more quickly than the Department expected. Some £17m has so far been promised for 11 projects being carried out by eight electronics companies. Nearly £4m of the aid will go on opto-electronic components and just over £3.5m on fibre optic systems.

A further allocation is needed for this aid scheme, which is being run under the Department's Product and Process Development Scheme. That, in turn, needs extra funds, having allocated £118.2m of aid in various technological areas since 1977.

That sum is being used to back 108 projects, whose total development cost is £395m. Only about £44m of the £118.2m has

Continued on Back Page

## Haughey likely to be elected Irish premier

BY BRENDAN KEENAN, DUBLIN CORRESPONDENT

MR CHARLES HAUGHEY is favourite to be elected Prime Minister when the Irish Parliament meets on March 9. His prospects of forming a stable government which will last, however, look decidedly shaky.

Such demands are worrying some politicians and economists already. A continued programme of spending cuts and tax increases will be needed to reduce the country's deficit.

The final results of the General Election gave Mr Haughey's Fianna Fail 81 seats and the parties which formed the previous coalition Government under Dr Garret FitzGerald, 78. The left-wing Sinn Fein Workers Party (SWP) won three seats and independent parties won four.

In spite of the lack of a clear majority Mr Haughey is confident he can form a Government. He said the country was unanimous in not wanting another election. He believed the new Government could run for three or four years.

At the same time, Dr FitzGerald has not conceded defeat. He will try to keep the coalition together and win enough independent votes to continue in power. To do this he needs the support of five independents, whereas Mr Haughey needs only two.

Dr FitzGerald would face severe problems in preserving his coalition. Although Labour, the junior partner in the previous coalition government, kept its representation at 15 seats, its overall vote dropped 1 per cent, continuing the trend of recent years.

This strengthens the anti-coalitionist argument within Labour that the party gains nothing by joining the coalition. It is possible Labour could vote for its own candidate for Prime Minister, thus putting paid to any hope of a new administration led by Dr FitzGerald.

## Budget to include oil tax changes

By Peter Riddell, Political Editor

CHANGES IN the structure of North Sea oil taxation will be announced in the Budget for tonight. But they are likely to fall short of the radical overhaul sought by the oil industry.

The aim will be to simplify the existing tax regime and to provide an incentive for exploration and development in some of the more difficult fields now coming up, such as those west of Shetland.

These changes will be relevant to the award of the eighth round of licences in the summer. This is expected to include some of the frontier areas in deep water locations which are difficult to develop.

The changes will be entirely to do with the structure of taxation and will not aim to alter the overall tax yield. This is regarded as a separate matter of fiscal policy and is anyway highly uncertain in view of

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## Majority

Mr Haughey, for his part, is virtually assured of the support of Mr Neil Blaney, MEP, the Independent Fianna Fail Member from Donegal. Mr Haughey's best chance of the one more needed for a majority may lie with a newly-elected Independent, Mr Tony Gregory.

Although Mr Gregory is leaving his views on Northern Ireland would be closer to those of Mr Haughey than to those of Dr FitzGerald. His major concern is Dublin's inner-city housing problem. Either leader might win Mr Gregory's support by calling a halt to the present plan to replace most inner-city housing with office blocks.

SPWP's three seats are the

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## NEW HYSTER CHALLENGER XL

OVERSEAS NEWS

# Reagan refuses \$65m guaranteed loan to Romania

BY ANATOLE KALETSKY IN WASHINGTON

PRESIDENT REAGAN will block a \$65m government-guaranteed loan to Romania because of doubts about the country's credit-worthiness and embarrassment over the recent decision to make good unpaid interest on loans to Poland guaranteed by the Commodity Credit Corporation.

Administration officials, quoted over the weekend, said the loan to Romania was strongly supported by the State and Agriculture Departments. But the President reportedly has taken the advice of the Treasury and the Office of Management and Budget, which claimed Romania would be unable to repay.

The Bucharest Government is negotiating with Western bankers in the hope of rescheduling about \$1bn of debt on which it is already in arrears or which will fall due soon. Its hard currency debt has been estimated at \$10bn-\$14bn, although Romania claimed last year that it was only about \$6bn.

The International Monetary Fund, which announced a new line of credits for Romania last June, stopped lending to the country in November because of a deterioration in Romania's financial position and because of doubts about internal economic policies.

The State Department, nevertheless, believes that extra government-guaranteed loans should be made to protect Bucharest from total economic, as well as political, domination by Moscow. The Agriculture Department is increasingly anxious about large U.S. agricultural stocks, following record harvests of many crops last year and is anxious to maintain trade with the Eastern bloc. The \$65m loans would have financed exports of corn and soya bean meal.

# Caribbean package likely to be unveiled tomorrow

BY HUGH O'SHAUGHNESSY, LATIN AMERICA CORRESPONDENT

DETAILS of the Caribbean Basin Initiative—an ambitious package of business incentives and aid appropriations designed to bolster the flagging economies of Central America and the Caribbean—are expected to be announced by President Ronald Reagan to the Organisation of American States in Washington tomorrow.

The most novel and politically touchy part of the plan would be to give preferential access to the U.S. market to countries of the region. To this would be added an extension of the political risk insurance offered by the Government-backed Overseas Private Investment Corporation.

New bilateral tax and investment treaties, incentives for conventions held in the region by U.S. concerns, and an additional \$30m-\$35m in direct aid to the governments of the area, are envisaged.

Administration officials say the ambitiousness of the Caribbean package, introduced at a time when President Reagan is in budget difficulties, is a measure of the extreme urgency with which developments in Central America and the Caribbean are being viewed by the White House.

President Reagan's statement is also expected to contain new onslaughts against the Castro regime in Cuba and the Sandinista Government in Nicaragua.

Privately, State Department officials say the Reagan initiative will stir up major rows in Congress, particularly on the question of virtual free entry to the U.S. market for central American, Caribbean, and manufactured goods.

Manufacturers and trade union leaders in the U.S. have already expressed their dismay at the prospect of the U.S. market being flooded by goods produced in the Caribbean Basin at low cost. The Administration has had to build into the plan safeguard mechanisms demanded by U.S. lobbies.

The Government of Puerto Rico, the U.S. possession in the Caribbean which is going through a particularly deep depression, has been lobbying hard against the free trade proposal which, it says, undercuts the island's much-needed privileges in the U.S.

The Puerto Ricans point to the fact that because of U.S. legislation, their labour, power and transport costs are all higher than those of their neighbours and that they stand to suffer acutely if Washington allows their Caribbean neighbours to undercut them further.

# Sihanouk to link with Khmer Rouge

PEKING—Prince Norodom Sihanouk, former Kampuchean head of State, said yesterday he had agreed to form a coalition with the Peking-backed Khmer Rouge.

The arrangement would be based on Khmer Rouge instructions without submitting to their ideology, he added.

After an 80-minute meeting with Khieu Samphan, the Khmer Rouge leader, Prince Sihanouk said he and Khien hoped that Son Sann, the former Prime Minister, would soon join them for talks on entering the proposed coalition.

"If a tripartite coalition Government can be formed one day, we must make clear that the status of our Government is in the legal framework of Democratic Kampuchea (the Khmer Rouge) which is still a full member of the United Nations," the prince declared.

The three parties—Khmer Rouge, Sihanouk, and Son Sann—will enjoy their autonomy as parties, with their own ideology and own way of thinking.

"But if we form a tripartite Government, we must have some common rules in order to co-operate."

Khien, who arrived in Peking on Saturday, said he hoped Son Sann would come to the Chinese capital for talks soon.

Prince Sihanouk said his talks with Khieu Samphan had gone "very well". The two former enemies hugged each other when they met and parted.

Before yesterday's talks, the prince had reiterated his support for free elections in Kampuchea under UN auspices and said both the Khmer Rouge, whom he has accused of mass murder, and representatives of the Hanouk-backed Heng Samrin Government in Phnom Penh, should be allowed to field candidates.

He had no choice but to join a coalition with the Khmer Rouge, even though "I do not approve of the cruel and non-democratic policy of Democratic Kampuchea," he added.

"I do not want a military solution but a political solution. But in order to get a political solution with Vietnam and the Soviet Union, we must fight first."

China's top political figure, Deng Xiaoping, 77, will resign as vice-chairman of the Communist Party at the 12th Party Congress this year, to make way for younger leaders, Chinese officials said yesterday.

Reuter

# DEVALUATION VITAL TO BELGIAN GOVERNMENT'S STRATEGY

# Martens grasps the economic nettle

BY LARRY KLINGER IN BRUSSELS

ANY LINGERING doubts, or hopes, that Belgium's new centre-right Government would not keep its promise to take unprecedented measures to tackle the country's economic crisis were dispelled yesterday. Not only did it use the recently-granted special parliamentary powers to go ahead with its plan to curb wage rises by 3 per cent, risking a "war" with the unions, it also announced the country's first-ever peacetime decision to devalue the franc.

Devaluation is a radical step. The Belgian franc has been devalued only twice since the 1930s and has survived a succession of serious speculative attacks, two of them during the past 18 months.

As recently as last April, Mr Mark Eyskens, then Finance Minister, was expressing a long-held national opinion when he said: "We have always defeated the speculators, and I expect them to lose again and again."

Yet it was Mr Eyskens, now Economics Minister, who only 10 months later set down alongside Mr Willy de Clercq, the new Finance Minister, to negotiate yesterday's devaluation with their fellow EEC ministers.

It is worth noting, however, that Belgium accepted a "low-key" 5.5 per cent devaluation against the currencies of its main trading partners—West Germany and the Netherlands—in last October's realignment of the European monetary system.

Moreover, the decision to devalue taken formally late on Friday is unlikely to have been as sudden as it might first appear. In fact, the seeds of the move were probably sown as long ago as last March when Mr Wilfried Martens, the current Prime Minister whose Government fell at that time because he insisted on wage curbs.

There has long been a strong body of opinion in Belgium that not only were austerity measures of that sort necessary, but they would have to be introduced together with devaluation. When the previous Martens government fell, a leading banker said: "We bankers consider a devaluation would provide some welcome breathing space for industry, but there would have to be certain measures to protect the country against inflationary effects that devaluation would entail."

Unfortunately, because of the government crisis, these measures are unlikely to be approved and, unless they are, the national bank has no choice but to support the franc with all the means available.

Belgium has spent more than BFr 490bn (£5.7bn at the old rate) since then in support of the currency, national elections have been held and Mr Martens returned at the head of a Government comprising his own centrist Christian Democrats and the conservative Liberals but excluding the Socialists for the first time in several years.

The Government was not formed with the express aim of devaluing but soon came to consider the move a necessary ingredient of its strategy as Belgium's economic crisis deepened. In a statement at the weekend, it said devaluation had become inevitable because of the growing balance of payments deficit, the deteriorating public finances and permanent pressure on the currency leading to record or near-record interest rates.

Indeed, as the Government formulated its plans one gloomy statistic was piled on another. The Belgium-Luxembourg economic union's current account deficit was estimated to be running at about BFr 147bn for the first nine months of last year, or five times the EEC average when expressed as a percentage of gross domestic product.

While there was a big reduction in that period in the overall balance of payments deficit to BFr 21.4bn from BFr 61.1bn during the same months of 1980, this was in large part due to the continuing rise in public estimates put Belgian Treasury borrowing abroad at more than BFr 220bn last year.

Not only will this level of foreign debt be a serious problem following devaluation (officials are reportedly in contact with the IMF about a possible rescheduling of foreign debt), but there is the question of the probable increase in Belgium's energy bill.

The public finances have also continued to deteriorate rapidly, with the budget deficit estimated to be running at nearly three times the EEC average expressed as a percentage of GDP.

# Denmark ponders wage and price controls

BY HILARY BARNES IN COPENHAGEN

DENMARK'S Social Democratic minority Government was standing by last night to call in opposition leaders to discuss extra economic measures on the assumption that the krona would be devalued at a meeting of EEC Finance Ministers in Brussels.

Earlier in the day, members of the Government met union leaders to discuss measures. These could include the suspension of automatic index-linked wage and salary increases, and price controls.

The Government's decision to propose a devaluation in the wake of the Belgian request to devalue in the EMS came as no surprise. Its medium-term plan calls for improvement in the competitiveness of Danish industry and the balance of payments deficit. Recent indicators, particularly on the wages front, have made it clear that these objectives will be difficult to attain in 1982 without a new devaluation.

The balance of payments deficit was reduced from DKr 13.3bn (£925m at the old rate) in 1980 to DKr 12.8bn (£890m) last year (about 3 per cent of GDP), with net interest payments amounting to DKr 14.4bn. Merchandise exports increased by 19 per cent last year and imports by 14 per cent. For the first time in 20 years the balance of visible and invisible trade was in surplus.

The final quarter trade figures, however, were less satisfactory.

With the net foreign debt at about DKr 117bn (28 per cent of GDP) at the end of 1981, public spending at about 61 per cent of GDP, a massive budget deficit and unemployment at 9 per cent, the Government believes it essential to bring about a steady improvement in competitiveness in order to be able to expand the export sector.

# Party bids to lead Poland again

WARSAW—Poland's Communist Party plans a crucial meeting this week intended to rescue the party from its eclipse under martial law and restore it to visible leadership.

The party's policy-making central committee will meet on Wednesday to discuss the future of Gen Wojciech Jaruzelski as party leader and how long military rule should last, party officials said.

There is also official concern about the implications of the popular slogan: "The winter is yours, the spring will be ours."

Party officials said Gen Jaruzelski's future would be a key issue. He is at present party leader, Prime Minister, Defence Minister and martial law chief.

The meeting could discuss changes for later this year in which he could relinquish his party post while remaining martial law commander.

The session will be followed on Friday by a meeting of the Polish Parliament to discuss economic reforms and corruption trials.

The central committee meeting is seen as the most important political development since martial law was declared in December to stifle a challenge to Communist rule by the Solidarity free trade union.

Mr Stefan Olszowski, a hard-line, who is one of the few senior Communists to remain active under martial law, is seen as a possible next party chief.

General Jaruzelski will lead a Polish Government delegation on an official visit to Moscow next month; the Soviet news agency Tass said yesterday. No date was given.

Pope John Paul II was quoted yesterday as saying he must visit his native Poland this August because the 600th anniversary of the shrine of the Black Madonna, outside Czestochowa in the south of the country, is so important to him as a Pole.

Agencies

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NOTICE TO SHAREHOLDERS  
NOTICE OF MEETING

NEGIT S.A. hereby gives notice of an Extraordinary General Meeting of the Company to be held at the registered office of the Company in Luxembourg, 10a Boulevard Royal, on Tuesday, 2nd March, 1982, at 11.00 hours for the purpose of considering the following Agenda:

- To amend Article 3 of the Articles of Incorporation by cancelling the sentence: "This Corporation may borrow money in any form (in the English version) and 'La Société pourra emprunter sous toutes formes' (in the French version)."
- To approve the new investment policy, as outlined in the letter to Shareholders dated 2nd February, 1982.
- To ratify the appointment of a new Investment Adviser and the discharge of the former Investment Adviser.
- To ratify the resignation of the former Custodian.
- To receive the resignation of existing Directors and to discharge them in respect of the execution of their mandates.
- To appoint new Directors.

The General Meeting shall be regularly constituted and shall validly deliberate on the first resolution if a quorum of Shareholders representing one half of the share capital is present or represented. The first resolution will be carried by a majority of three quarters of votes of those present or represented.

The other resolutions will be carried by a majority of those present and voting either in person or by proxy, provided however that the first resolution be approved.

The Shareholders on record at the date of the meeting are entitled to vote or give proxies. Proxies should arrive at the registered office of the company not later than twenty-four hours before the meeting.

The present notice, together with a letter to Shareholders dated 2nd February, 1982, and a form of proxy, has been sent to all registered Shareholders on record at 9th February, 1982.

Forms of proxy and copies of the letter to Shareholders are available on request at the registered office of the company.

By order of the Board of Directors,  
J. PIERSON,  
Secretary.

Luxembourg, 9th February, 1982.

# S. Africa posts top diplomat to U.S.

THE permanent head of South Africa's Department of Foreign Affairs, Mr Brand Fourie, 65, has been appointed ambassador to Washington, writes Bernard Simon in Johannesburg.

The unexpected posting is seen as a sign of the closer relations between the two countries since President Reagan took office. The U.S. is South Africa's largest trading partner.

# UAE offered reactor

France has offered to supply the United Arab Emirates with an atomic reactor "for peaceful purposes," says Mr Mana Oteiba, the UAE Oil Minister, writes Our Foreign Staff.

The offer came during a visit by M Claude Cheysson, the French Foreign Minister.

# Tripoli fighting eases

Fighting between rival factions in the north Lebanese port of Tripoli died down this afternoon after raging since Friday, state-run Beirut Radio said yesterday. Reuter reports. At least 18 people were reported killed and 40 wounded in the three days of fierce clashes, which followed a week of tension and sporadic shooting in the city.

# Iraq battle claim

Iraq claims to have crushed an Iranian attack in the Bostan region of southern Iran at the weekend, killing and wounding thousands of Iranian troops, AP reports from Nicosia, Iraq says it killed more than 2,000 Iraqis in the battle.


# Lloyds Bank Group Results 1981

With a strong world-wide performance and improved cost control, Group profit before tax was £386m, 33% up on 1980.

After tax and dividends—and the special levy on bank profits which took £59m—retained profit was £157m, down 9% on the previous year.

This brings Group share capital and reserves to £1,713m and helps to support a total balance sheet of £27,660m.

When adjusted for inflation, pre-tax profit was 51% up at £248m and retained profit 49% down at £24m.




## Lloyds Bank Group

Lloyds Bank Plc, 71 Lombard Street, London EC3P 3BS

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NEWISSUE

FEBRUARY, 1982



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The National Bank of Kuwait S.A.K.  
Kansalliss-Osake-Pankki  
Postipankki

WORLD TRADE NEWS

Gabon seeks aid to host 1983 Unctad talks

By MARK WEBSTER

THE WEST African state of Gabon is anxiously seeking western financial support to enable it to host next year's UN Conference on Trade and Development meeting in Libreville.

It would need to build additional conference facilities for the 3,000-odd delegates. The full Unctad conference is held once every four years (the last was in the Philippines) and the host nation must pay the difference between holding the meeting in the secretariat headquarters of Geneva and its own capital.

SLA buys Pratt engines for stretched 747s

By OUR WORLD TRADE STAFF

SINGAPORE Airlines has chosen the U.S.-made Pratt and Whitney JT9D-7R4G2 engine to power the eight Boeing 747 stretched upper-deck aircraft it recently ordered from the U.S. manufacturer for \$1bn.

manufacturer would have been considered unlikely given SIA's links with Pratt and Whitney.

Efta wants Community tie-in on trade marks

By BRIJ KHINDARIA IN GENEVA

THE European Free Trade Association (Efta) is in talks with the Common Market to ensure that proposed Community rules affecting trademark protection does not discriminate against Efta-based companies.

Austria, Switzerland, Spain and Portugal is worried that the Community's new laws will make it more difficult for Efta-based companies to sell brand-name products within the EEC.

SHIPPING REPORT

Tanker outlook brightens

By ANDREW FISHER, SHIPPING CORRESPONDENT

INQUIRIES FOR new business picked up slightly on the long depressed tanker market last week, according to one firm of brokers.

Gaibraith Wrightson, which described last week as a humdrum one with orders from the Gulf "thin on the ground," said a fair selection of miscellaneous cargoes had been quoted from other main loading areas, especially from the UK North Sea fields.

World Economic Indicators

Table with columns: Country, Year, % change over previous year, Index base year. Rows include U.S., W. Germany, Italy, Netherlands, Japan, UK, France, Belgium.

Pertamina £1.2bn deal for German, U.S. groups

By Richard Cowper in Jakarta

THYSSSEN Rhein Stahl GmbH, of West Germany and Pullman Kellogg Overseas of the U.S. have signed a contract with Pertamina, the Indonesian state oil company, for the construction of a \$1.2bn aromatics petrochemical complex to be built in the south Sumatran town of Plaju.

Yesterday's contract brings the total value of contracts awarded by Pertamina in the last eight months to \$7.5bn. Work will start on the plant later this year. The general contractor will be Thyssen and Pullman Kellogg will provide the engineering.

Five companies in Saudi refinery deal

JEDDAH—Five companies have won contracts to build a \$1.4bn refinery in Jubail, a joint venture between General Petroleum and Mineral Organisation (Petromin) of Saudi Arabia and the Royal Dutch/Shell group, Petromin officials said.

The contractors are Chiyoda Petrostar, Saudi Arabia, Technip Saudi Arabia, Parsons International of the U.S., Chiyoda Chemical of Japan, and Technip of France. The 240,000 barrels-per-day export refinery is to be completed in 1984.

High costs hit Australian coal exports

By Patricia Newby in Canberra

A WARNING by Britain's Central Electricity Generating Board (CEGB) that New South Wales is in danger of pricing itself out of the British and Western European steaming coal markets is causing consternation in Australia.

The warning, contained in a letter earlier this month from the CEGB to the New South Wales Agent-General's office in London, follows similar warnings from Japan, Australia's biggest coal customer, and recent substantial purchases of U.S. coal by Japanese utilities.

The cost of New South Wales coal is expected to rise because of an A\$62 a week wage rise granted to miners after a three-week strike and the 25 per cent increase in rail freight charges imposed by the state government. The Federal Government's imposition in last August's budget of an A\$1 a tonne levy on coal exports is also not helping competitiveness.

The British board's letter will strengthen the hand of the private coal companies in New South Wales which have so far refused to pay the new freight charges. The coal mine owners will meet State Premier Mr Neville Wran this week to discuss the charges.

Apart from the cost, the Board's letter is worrying for Australian producers because of complaints about reliability of supply. Australia's reputation has been tarnished by a combination of port congestion and constant industrial disputes at wharves.

Germany oil intake down WEST GERMAN crude imports fell 18 per cent in volume terms to 79.4m tonnes in 1981 but rose 11 per cent in value terms to DM 49.17bn. Reuter reports from Wiesbaden, the federal statistics office said.

PHILIPPINE MANPOWER 'EXPORTS'

Guest workers ease deficit

By EMILIA TAGAZA IN MANILA

THE MATTER of two Filipino guest workers beheaded last month for crimes in Riyadh met an embarrassed hush in Manila. The Government feared any fuss over the issue would jeopardise what has become the Philippines' most lucrative exporter—manpower.

A decade ago, just a handful of Filipinos worked abroad. Most were singers found in the nightclubs of Tokyo's Ginza, or au pairs in Hong Kong or Europe.

Today, there are more than 700,000 workers abroad, the majority in the Middle East where they are at a high premium because of the generally high level of education, grasp of English, and professional adaptability.

Jobs in the Middle East and elsewhere overseas are seen as a handy solution to two of the country's most urgent problems—rising unemployment and a widening balance of payments deficit. Unemployment more than doubled in 1980 to 14.6 per cent from the previous year's 6.5 per cent.

The demand for workers in the Middle East has led to Saudi Arabia replacing the U.S. and Europe as the land of opportunity for many young Filipinos. But the over-reliance with the Middle East has not been without its headaches.

The salary remittance system, for instance, has fuelled an extremely active black market for foreign currencies. Of the reported earnings of \$1m last year, central bank figures show that only \$800m was channelled through the banking system.

Although by law Filipino contract workers are required to repatriate 70 per cent of their earnings, enforcement of the rule has been ineffective.

Repatriated earnings are now the Philippines' most lucrative currency earner. Filipino overseas workers earned roughly \$1bn last year, up 29 per cent from 1980's earnings of \$1.14m.

In contrast, the country's single largest commodity export, coconut oil, brought in \$515m, while garments, textiles and accessories earned about \$721m.

Although contract workers have been deployed since 1963 when Filipino farmers were shipped to plantations in Hawaii and California, it was only in 1974 that organised contracting was made part of the national employment programme.

It was only a decade ago that the Middle East became an important focus for labour migration. Into the 1980s, the growth in demand for labour is expected to continue.

Apart from relieving unemployment, overseas workers make an important contribution to the country's foreign exchange earnings.

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Like those college graduates who now work as servants or chambermaids in London and Los Angeles, these professionals are willing to act as servants in Arab homes. Women professionals often end up as prostitutes abroad, giving the Philippines the unflattering image as a country of servants and prostitutes.

Yet another problem created by the exodus of workers is "hrawn drain" which has created a serious shortage of skilled hands at home.

The Philippine Overseas Construction Board has drawn up a list of critical skills and has a new programme of accelerated training for those that fall under the critical list. The programme will eventually be expanded to include other skills that are expected to be in great demand.

APPOINTMENTS

Senior post at Dunlop

Mr J. E. Roberts, technical director of DUNLOP'S aviation division, has been appointed director of the Coventry-based division. He succeeds Mr Hugh Pope, who has left the company.

retirement as purchasing director for BL light and medium car group. This is a non-executive appointment. Mr David Bache, ex-director of design for BL Cars, recently accepted a consultancy with Wardle to advise on design. Mr Alex Dewhurst is to head the principal subsidiary and act as No. 2 to Mr Brian Taylor. Mr Dewhurst was formerly managing director of Avon Industrial Polymers.

PENTOS LTD. has made the following appointments. Mr Alan Stevens has been appointed managing director of Metair, a subsidiary of Pentos Engineering Group. He was managing director of Fergussons Tankers, part of the Wadham Stringer Group.

The executive committee of the ISSUING HOUSE ASSOCIATION is as follows: Hon. T. J. Manners (Lazard Brothers and Co.) chairman, Mr R. D. Bostrey (Barings Brothers and Co.) deputy chairman, Mr M. V. Blank, Mr D. Backs, Mr J. D. Croxland, Mr J. N. Fuller-Shapcott, Lord Rockley, Mr I. J. Sent, Mr M. R. Valentine and Mr G. R. Walsh.

Mr Derek Askey has been appointed UK sales director of Athena Reproductions, a subsidiary company of Pentos Ltd. He was sales manager of Camden Graphics.

Mr T. V. N. (Tim) Fortescue has been appointed chairman of the standing committee of the newly independent CONFEDERATION OF THE FOOD AND DRINK INDUSTRIES of the European Community (CIAA). Mr Fortescue is the secretary-general of the Food and Drink Industries Council of the UK.

WIGHAM POLAND HOLDINGS states that following Mr E. G. Hedgecock's resignation from the board, Mr H. S. Mander has been appointed in his place. Mr Mander is the managing director of Thomson Magazines.

Mr G. Roy Pritchard has been appointed chairman of the LONDON AND WESTMINSTER NEWSPAPER GROUP in succession to Mr Ray Tindle.

Mr C. H. Revley has been appointed head of administration of the WATER RESEARCH CENTRE and secretary to the council. He succeeds Dr T. V. Arden who is retiring.


Mr A. J. Blizard, sales director of FIELD, SONS AND CO., the carton division of Reed Group (part of Reed International), will be retiring on March 31. He will be succeeded by Mr Dugald Yndall, who has been appointed sales and marketing director of Field from April 1.

Mr Lester Burford has joined the board of BERNARD WARDLE GROUP following

Mr Lawrence Evelyn-Jones has retired as chairman and director of TEX ABRASIVES. Mr Brian Charles Carter, deputy chairman and managing director, is appointed chairman and managing director.

CWM RHONDDA advertisement featuring musical notation and a list of brands: Dunlop, G Plan, Revlon, Berlei, British Airways, Hotpoint, Kraft, Kellogg's, Esso, Hoover, Sony, Metal Box, Ferranti, Ford. Includes text: 'Whether you're involved in big business or running your own concern, Wales will help you make the most of it.' and contact information for the Welsh Development Agency.

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FEBRUARY 1982

**UK NEWS**

**Exchange control ban is a success, says economist**

BY ROBIN PAULEY

THE ABOLITION of exchange controls has been a substantial success and there seems to be no reason why they should be reimposed in the coming months, says Dr David Lomax, group economic adviser of National Westminster Bank.

Abolition of the controls has saved administrative costs in companies, banks and the central bank, and has enabled the UK to earn further income by the reopening of the sterling Bulldog Bond market and the sterling international syndicated loan markets, Dr Lomax says in the bank's current issue of UK Economic Outlook.

The experience of central banks during the past decade had convinced them of the ineffective role of controls in the achievement of any exchange rate, or of other economic objectives. Country after country has either been forced to liberalise its policy on foreign exchange, or has wanted to do so, having understood the sort of distortions which are caused by controls.

Since the UK controls were abolished, there had been a substantial increase in foreign currency deposits and borrowing by UK residents, a comment expressed through a more pragmatic, longer-term view of monetary trends. However, the risk was that if the markets retained their very short-term view, they might feel affairs were being left too long and decide monetarism had been debased.

Dr Lomax also says the key to the world economic problem is energy issues, particularly in industrialised nations. Views that concentrate on recycling should be treated with "appropriate scorn".

Capital should not flow internationally just to support consumption, but should be used where the rate of return in the borrowing country is greater than that which can be obtained by the saver elsewhere.

There was no other solution to the economic crisis than expansion of energy production in the main OECD states and, less important, in those developing countries which import oil. Brokers James Capel take an optimistic view of U.S. interest

rates for 1982 in a special feature in their current international bond and currency review. Monetarism in the U.S. appeared to have been expressed through a more pragmatic, longer-term view of monetary trends. However, the risk was that if the markets retained their very short-term view, they might feel affairs were being left too long and decide monetarism had been debased.

This could be the first step towards relaxation of monetary policy, once the Administration realised tight money targets and tax cuts were not consistent. As a result, the short-term outlook for interest rates was more positive, says Capels, who expects them to remain at current levels for a couple of months.

"With a weak economy and possibly more encouraging monetary trends around mid-year, rates may well have eased back by the third quarter," they add, noting that 1982 is a congressional election year.

**Insurance company's appeal allowed**

By Raymond Hughes, Law Courts Correspondent

THE British Bank of the Middle East has lost a £120,000 claim against Sun Life Assurance Company of Canada (UK).

The Court of Appeal has agreed with a High Court judge that a branch officer of Sun Life, who had signed undertakings on Sun Life's behalf to repay loans made by the bank, had no authority to do so.

British Bank had lent money to a property dealing company, Nelpine. In addition to taking a floating charge over Nelpine's property, it obtained undertakings from Sun Life, involving a total of about £120,000, to repay money lent to Nelpine.

Lord Justice Ackner said the undertakings had been signed by the unit manager of Sun Life's City branch, whose authority had been confirmed by the branch manager. The judge said that neither had the authority to do what they did.

**Kent's missing motorway link**

THE Government has remained "strangely silent" on the fate of the final "missing link" stretch of the M20 motorway between Maidstone and Ashford, Kent County Council said at the week-end.

Preparations on the M20 "missing link" section and on dozens of other road schemes was suspended indefinitely by the Government last week in its White Paper on roads policy. Mr Kenneth Clarke, the Under-Secretary of State for Transport, accepted after the White Paper was published that the existing link between Maidstone and Ashford was "not good but was adequate."

**GLC calls for new coach stations**

THE Greater London Council is to press the Government today for tighter control of coach operations at Victoria Coach Station, Imperial Coach Terminals there and new London coach stations.

Traffic to and from the station has grown rapidly since coach operations were de-regulated under the 1980 Transport Act and Mr Dave Wetzel, chairman of the GLC transport committee, says the expansion has caused "severe environmental and pedestrian problems."

**Coal Board pensions**

IN OUR REPORT on Saturday of MF Joe Gormley's speech to the Pension Fund Investment Conference at Eastbourne a reference to the NUM Pension Fund should have been to the National Coal Board Mine-workers Fund.

**National Savings near target**

NATIONAL SAVINGS is well within sight of its £3.5bn target for the 1981/82 financial year. Figures published yesterday show that net receipts for all National Savings instruments totalled £457.7m in January, compared with £240.4m in December.

This takes the cumulative contribution of National Savings to the Central Government Borrowing Requirement, to £3,338bn after the first 10 months of the financial year and means that the net income for February and March need only average £30m.

The highest source of new funds last month was index-linked National Savings certificates which pulled in a net £217.5m. Non-index linked issues accounted for £97.3m net while the outflow of the NSB investment account in recent months was reversed to show a net income of £14.4m. The 15 per cent gross rate on this account is being reduced by 1 percentage point to 14 per cent a year from March 1.

The NSB Ordinary Account last month also showed a net gain of £2.6m for the first time since October 1979. Accrued interest, index linking and bonuses accounted for £135.8m of the total net increase in January.

**Sussex Chief Constable to head Kincora sex inquiry**

BY LISA WOOD

SIR GEORGE TERRY, Chief Constable of Sussex, is to head investigations into the Royal Ulster Constabulary's handling of Belfast's Kincora sex scandal.

The appointment follows a request, made public by Mr James Prior, the Northern Ireland Secretary, last Thursday, from Sir John Hermon, the Northern Ireland Chief Constable, that a chief constable be sent from Britain to investigate allegations about the way in which police have conducted their inquiries.

Sir George will also have general oversight of the continuing investigation concerning

allegations of an official cover-up of homosexual mispractices against boys in care at the Kincora Boys' Home in East Belfast.

No details on when Sir George will start his duties or how long they will last have yet been released by the Northern Ireland Office or the RUC.

Sir George, 61, has been Chief Constable of Sussex since 1973. He was Chief Constable of Lincolnshire in 1970-73. He was knighted in the Queen's 1982 New Year's Honours List, and is the immediate past president of the Association of Chief Police Officers.

**Appeal to poultry workers**

MR BERNARD MATTHEWS, the biggest turkey producer in Europe, is sending out his fleet of buses today hoping to pick up his 1,200 workforce even though they have decided to continue a strike at his Norfolk and Suffolk factories.

Mr Matthews has invited staff to return to work in an advertisement in local papers. He also welcomed new job applicants. He warns that if staff do not

return, they could lose their jobs. They will strike for a week and want a 32 per cent wage increase. They have been offered less than 8 per cent.

A feed mill at Bawsey, North Norfolk, which was closed by strikers and which provided half the feed for 2m turkeys, is being kept going by workers from other farms so as to ensure that the birds do not starve. The 30 original workers at the mill have been sacked.

**Dispute over contract delayed defence deal**

A BEHIND-THE-SCENES tussle involving disagreements within the Ministry of Defence and between it and British Aerospace, lies behind the recent announcement of Britain's latest multi-million pound defence contract.

The Ministry and BAE's Dynamics Group announced a deal for "more than £200m" for the "development, evaluation and initial production" of a new anti-ship missile.

The Sea Eagle missile is to be in service towards the end of the 1980s, and will be launched from RAF Buccaneers and from the Royal Navy's Sea Harriers. It may later be fitted to Tornados.

The contract has been long awaited and it now appears that one reason for the delay was major difficulties which arose during negotiations about what sort of contract should cover "the deal".

It had been thought that negotiations would produce a fixed price contract with built-in incentives on price, delivery dates, and the like. Both BAE executives and senior Defence Ministry officials have argued

Bridget Bloom reports on the wrangle about the terms for the Sea Eagle missile.

before the Commons Select Committee on Defence that such contracts are to be preferred because they offer a company more incentive to be efficient. The Government, therefore, was given better value for its money, they said.

But the "target price" contract which has actually been negotiated falls considerably short of this — just how far short is disputed by the parties.

The Sea Eagle deal involves BAE Dynamics as prime contractor in developing, evaluating and producing perhaps about 200 missiles for a target price of around £200m. (Neither the company nor the Ministry is specific on figures.) A 10 per cent margin either way has been set and it has been agreed that the BAE and the Ministry share any savings or overruns.

In evidence to the Select Committee last week, BAE said this solution was second best. It had sought a fixed price contract, under which it would hear

worried that BAE could make too much profit at the taxpayer's expense.

The Ministry says that target price arrangements have saved the taxpayer money on some warship contracts, though it says it is too early to point to such savings on comparable missile or other aerospace contracts.

And in answer to the company officials say that if BAE had been prepared to lower its price by the several million pounds — apparently for unallocated contingencies — that the Ministry had asked, it would have been possible to negotiate a fixed price contract. Ministers would certainly have liked such a contract if the right terms could have been won.

Only time will tell whether the Ministry has done well for the taxpayer and the company for its shareholders by setting for less than a fixed price contract. Both sides at least agree that there is a somewhat sharper air about the negotiation of defence contracts than there was when open-ended cost plus contracts were the order of the day.

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The Swiss Group

### Higher education spending is £1.8bn

By Michael Dixon, Education Correspondent

BRITAIN spends twice as much of its gross national product on higher education as Japan and half as much again as West Germany, according to Unesco statistics for 1977-79.

British higher education spending is about £1.8bn a year and this total represents 1.1 per cent of GNP.

But unlike most countries which require students to finance themselves at least partly by loans, Britain provides them with grants which represent 0.3 per cent of GNP. So a fairer basis for comparison would be 0.8 per cent of gross national product.

This would place the UK 10th equal with Sweden and Yugoslavia in the proportion of GNP spent on higher education.

**LEADING 21 COUNTRIES**

Country	% GNP
Canada	2.1
Netherlands	2.0
U.S.	1.7
Australia	1.5
Finland	1.3
New Zealand	1.1
Belgium, Denmark	1.0
Ireland	0.9
Sweden, UK, Yugoslavia	0.8
Austria, Norway, Switzerland	0.7
West Germany	0.6
France, Italy, Japan	0.5
Portugal, Turkey	0.4

**New bus shelters for London**

LONDON TRANSPORT and the Greater London Council are to build 1,000 new bus shelters this year in partnership with Adshel, a private contractor which uses the illuminated shelters for advertising and promotion work.

LT will use its profits from the advertising to pay to clean the shelters and to fund other non-advertising shelters.

**ERF truck output**

TRUCK PRODUCTION by ERF Holdings last year was 1,095, compared with 1,982 in 1980. ERF's figures were missing from the table published on Friday because the company stopped supplying them to the Society of Motor Manufacturers and Traders, which compiles the statistics, in November 1980.

## Lloyd's chairman closes reinsurance investigation

By John Moore

MR PETER GREEN, the chairman of Lloyd's of London, the insurance market, has completed a rare personal investigation into a reinsurance contract arranged by one of the largest underwriting groups at Lloyd's. He concluded that no further action is necessary.

More than 1,000 underwriting members who participate in underwriting syndicates number 810 and 899 have been told by PCW Underwriting Agencies, the group looking after their affairs, that the contract "contained errors which most regretfully were perpetuated throughout the lifetime of the contract."

Substantial refunds are being made to the syndicates and the amount involved could be more than £400,000.

Mr Green carried out his investigation following rumours within the Lloyd's market about the contract. He studied a quota share reinsurance treaty arranged for the underwriting syndicates by Unimar, a Monte

Carlo firm of brokers, and Seascope, a firm of Lloyd's brokers. Seascope held a 10 per cent shareholding in Unimar.

The reinsurance was requested by Mr Peter Cameron-Webb, the active underwriter concerned with syndicate 810. Under the planned arrangement Unimar would participate in arranging reinsurance for the two syndicates and in return Unimar would provide other business for the syndicates to reinsure. In Lloyd's this is known as a "reciprocal arrangement."

It was hoped that Unimar would have been able to generate business on a significant scale in relation to the £42m total premium income of the syndicates. But Unimar was unable to generate the business in the way envisaged.

Moreover problems arose over the wording of the contract. The terms describing the commission arrangements between the syndicate and Unimar were open to different interpretations;

### No decision on buying advanced Trident

By Lynton McLain

SPECULATION that the U.S. offered to sell Britain the advanced D5 version of the Trident nuclear missile, with British companies sharing the production of missiles for the Royal Navy and for those bought for the U.S. Navy, could not be confirmed last night.

Britain has not decided to buy the D5 Trident in place of the C4 Trident, although Mr John Nott, Defence Secretary, is understood to favour Britain renegotiating its agreement with the U.S. with the aim of buying the latest version.

The U.S. agreed to sell Britain the C4 missile in an exchange of letters between Mrs Thatcher and President Carter in June 1980. The C4 system was expected to have cost £5bn at 1980 prices, but only the submarines to carry the missile would have been built in Britain.

The D5 system is known to be more expensive than the C4 Trident, but Mr Nott favours it because of the greater commonality of the Royal Navy would have with the U.S. Navy which is already committed to buying the D5.

The Cabinet has not considered switching from the C4 system to the more expensive D5 missile, but it is likely to discuss the possibility in the next few weeks if Mr Nott gets his way.

## Hyster's lift for Ulster

IN NORTHERN IRELAND, where security is an aspect of everyday life, locals call the new Hyster forklift truck plant at Craigavon "Fort Knox."

The low modern factory, which from the outside looks more like a produce micro-chips than anything as heavy as forklift trucks, has a high perimeter fence and cameras cover the only entrance.

"It's easier to get into the Vatican," a security guard jokes. Mr Herman Stoopman, managing director of Hyster (N.I.) explains that the security has little to do with Northern Ireland's political problems. It is mainly intended to prevent competitors finding out the details of what goes on there.

The reason for the security is that Hyster believes that its £25m highly automated plant, built on a former dairy farm near Lough Neagh, has taken it a step ahead of the opposition. Hyster—which has concentrated in the past on high quality, specialised handling equipment at the top end of the market—decided to steer towards the lower end of the market with a no frills, low-cost truck.

The company opted for the entire output of the new truck coming from one new factory. Northern Ireland was chosen after Hyster had considered Singapore, France, Germany, the Irish Republic and the possibility of extending one of the company's existing plants in North and South America or on the continent.

From the first day of the project, the design of the truck and of the manufacturing process were combined, and incidental features were removed. As a result, the Challenger XL, which sells for less than £9,000 in the UK, is about £2,000 cheaper than the company's existing heavy-duty truck of the same capacity, and cheap enough, it claims, to match the growing Japanese competition. Japanese truck imports to Europe have been building up over the past decade and now probably account for between 15 and 20 per cent of the basic end of the market.

By taking on the world market in bread-and-butter trucks from the Craigavon plant, Hyster is in the arena in which Japanese manufacturers—such as Komatsu, Toyota, Datsun and Mitsubishi—have been most successful.

Hyster is quick to deny that its new truck represents a direct assault on the Japanese. It is, executives say, merely an extension of the company's existing range.

Indeed, both engine options on the model are Japanese. The

At Craigavon in Northern Ireland, an ultra-secure factory is turning out a new, basic fork-lift truck. Raymond Snoddy paid a visit.

from the beginning. "We started with 12 different thicknesses of material in the frame. We ended with just three. With 12 thicknesses of material the costs just snowball," says Mr Stoopman.

To reduce costs the number of options available have been cut.

The truck, for instance, has fully-automatic transmission, power steering and all tubing is coated top event corrosion. The company claims 5 per cent lower running costs, the ability to negotiate steeper slopes and less noise and pollution than competitors' trucks.

In the Craigavon plant Hyster has developed a very precise flow process which has moved manufacture in the direction of the car industry's production methods. "When you pick up a piece of material it is never laid down until it is finished," Mr Stoopman said. The plant is highly automated.

The flexibility with which the machinery is operated is probably as important as the equipment itself. Not only do workers use more than one machine, there is also cross-training and contracts stipulate complete flexibility of labour.

But he also queues up for a scoop of chips at the self-service canteen with everyone else, and includes the office in the ban on alcohol at the plant.

Mr Raymond Watson operates five machines worth a total of £350,000. To make the truck's drive spindle he takes the rough casting, faces and centres it, turns, drills and mills it before being responsible—like all workers at the plant—for his own quality control. The defect rate at Craigavon is 0.3 per cent.

The fact that Northern Ireland came out clearly on top in the search for a site, even after receiving black marks for political instability, surprised many Hyster executives. The key factors were an available work-force with industrial experience and good communications, particularly ports, for shipping the trucks to markets all over the world. Some 45 per cent of the cost of the plant was also covered by Government grants and low-interest loans. The decision to build was taken after checks on the ground showed that the region's political troubles stopped at the factory gates.

Hyster now employs 270 at Craigavon, which has a capacity of 7,000 trucks a year. The work-force will gradually build up to 500 in five or six years.

### Spend more or tax less, RAC urges

THE Royal Automobile Club yesterday called on the Government either to cut motor taxes or to spend more money on Britain's roads.

In a letter to Sir Geoffrey Howe, the Chancellor, Mr Jack Williams, the chairman of the RAC's public policy committee, said: "The Government's excessive contribution to British Rail of not far short of £1,000m compared with the £6,000m contribution to the Exchequer from

surplus taxation on road transport has become a grotesque state of affairs.

"It is ironic that the £6,000m surplus income not used for the benefit of road users is similar to the annual tax income from North Sea oil, part of which the RAC and other bodies have urged should be invested in an expanded and accelerated road programme."

The £6,000m is the difference between income to the Govern-

### Leadership of NCB open

REPORTS that ministers were definitely planning to split into two the leadership of the National Coal Board when Sir Derek Ezra retires later this year were discounted by the Department of Energy yesterday.

No decisions had yet been made as to the structure of the NCB leadership when Sir Derek, the present chairman, retires, the department said.

The Government has been looking at different methods of leadership for some months. Two possibilities are under consideration—a strong executive chairman, as now, or splitting the job into two.

### Comet Radiovision executive resigns

By Carla Rapoport

MR EDMUND PEARS, managing director of Comet Radiovision, will be leaving the diversified retailing group at the end of May.

Mr Michael Hollingbery, the chairman, said yesterday that Mr Pears's resignation would be officially announced within the next few days.

He said Mr Pears, who has been with the Hull-based group for more than three years, had never been happy in Yorkshire and had decided that the company "is really too small for an

executive chairman and a managing director."

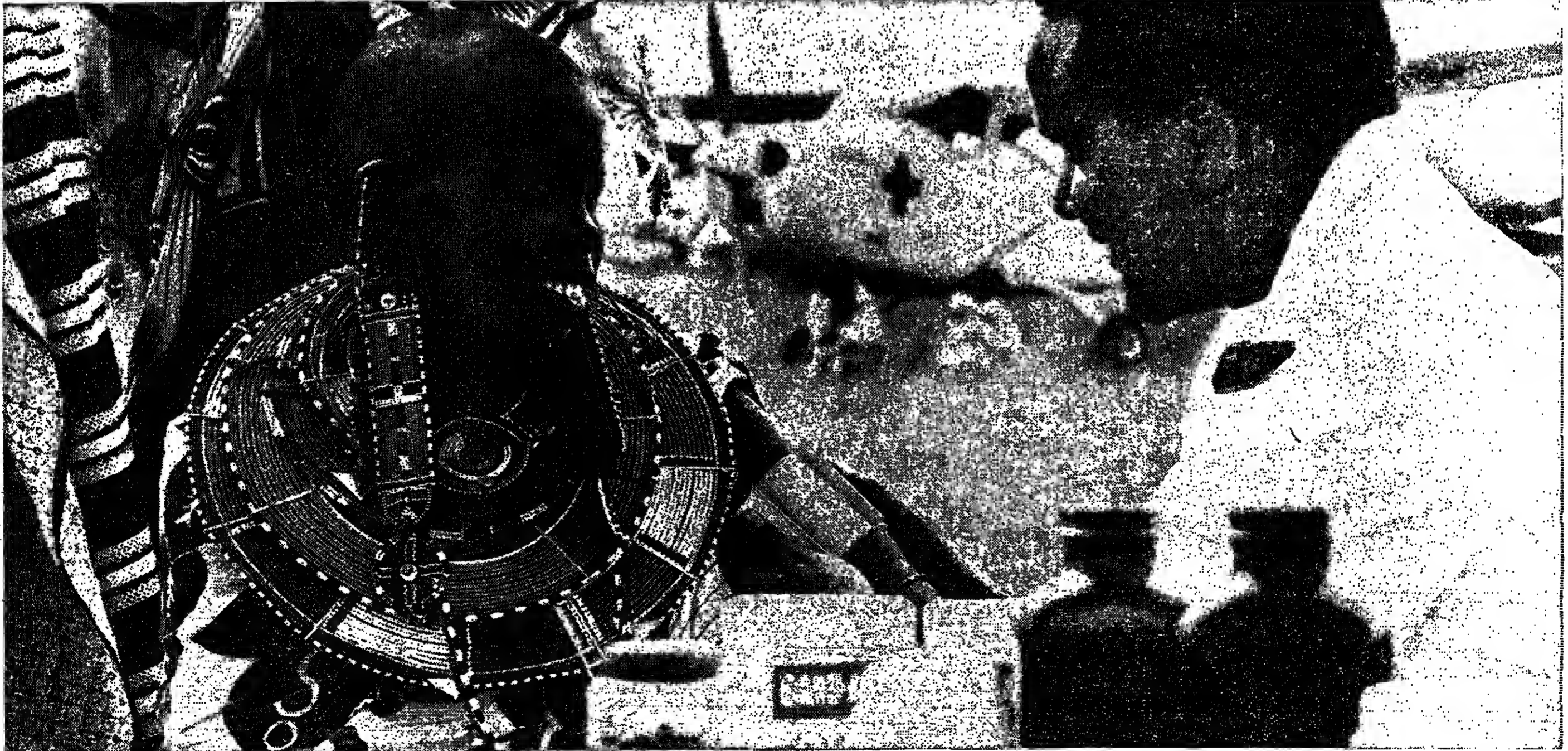
"He is right," said Mr Hollingbery. "I had wanted a managing director to look after the day-to-day running of the company, but I couldn't give up completely. Basically, neither of us had enough to do."

Comet Radiovision, which is engaged in selling electrical and gas appliances, home improvement products, jewellery and other consumer goods, recorded sales last year of £211m and pre-tax profits of £6.2m.

Mr Pears was unavailable for comment yesterday. The news of his resignation emerged from Mr Hollingbery's meetings with City institutions in the past two weeks.

In the course of these talks, which Mr Hollingbery says he holds every year, he said the group's troubled jewellery division has been further hurt by the continued decline in the price of gold.

He said that the group's electrical division is "doing very well, thank you."



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## UK NEWS

### Rates in 1982-83 will depend on grant system, says report

BY ROBIN PAULEY

RATE RISES for 1982-83 will depend more on the intricacies of the Government's grant system than on the spending decisions of local councillors.

This is the conclusion of a report published today which says the relationship between service provision and rate levels has become erratic and implausible.

Mr Tony Travers, of North East London Polytechnic, has analysed the way in which the Government will share out £11.5bn of grant to 412 local authorities in England in 1982-1983.

He says there are two main reasons for the weakening relationship between rates paid and services received.

They are the continuing attempt by the grant system to equalise rateable values, and complex additions by the Government to the "already incomprehensible" rate support grant system.

Equalising the tax base between local authorities means equalising between rateable values which vary from more

than £30,000 per head in the richest areas to about £30 per head in the poorest.

The equalisation process tries to use grants to compensate for these differences but Mr Travers says the differences between rateable values are largely unrelated to variations in income, taxable capacity, wealth, or "any other rational basis."

Rateable value equalisation may therefore mean that people in similar financial circumstances receiving similar services pay very different rates.

For example, Avon has a population of 925,800 and the Government has assessed the amount it needs to spend to provide a typical standard level of service (its grant-related expenditure assessment or GREA) as £283.15m for 1982-83.

Surrey has a population of 984,000 and a GREA of £279.94m, but Surrey's rateable value is £170.02m compared with Avon's £119.4m, which leads to very different grant receipts and rate bills for the two areas.

If Avon plans a budget at its GREA level it will receive

£131.3m (46.4 per cent) of the total in grant, leaving ratepayers to pay the remaining £151.88m (33.6 per cent). If Surrey plans to spend exactly its GREA the Government will provide £88.2m (24.4 per cent), leaving ratepayers to find £211.74m (75.6 per cent) of the bill.

If Avon spends 50 per cent more than its GREA the Government will still provide 30.3 per cent of that spending total by paying £130.67m in grant. If Surrey budgets at 50 per cent over its GREA its grant will fall to £24.84m or 5.9 per cent of the total, leaving ratepayers responsible for 94.1 per cent of the money.

At a level of spending equal to double the GREA, Avon will still receive a quarter of the total bill from the Government. Surrey will get nothing.

Mr Travers says the new block grant system of allocating government money was an attempt to improve accountability, fairness and spending control. But the result in 1982-83 is likely to be a complex system reducing rather than improving accountability.

### Local authorities' debt £39.6bn

BY ROBIN PAULEY

THE TOTAL debt of local authorities in the UK increased by 8 per cent to £39.6bn, or £705 for every man, woman and child, in the year ended March 31, 1981.

Statistics published by the Chartered Institute of Public Finance and Accountancy show that of the £31.16bn debt outstanding among councils in England and Wales, about 73 per cent is for housing (£24.87bn), followed by education (£3.5bn), highways and transport (£1.4bn).

The total debt per head varies significantly between councils and areas. An average £1,321 debt per head in London compares with £518 in the English shire county areas.

The heaviest debt burden per head remains with the inner London borough of Islington (£2,517) closely followed by Camden (£2,490). The lowest debt per head in inner London is in Westminster (£945).

In outer London the highest figure is £1,418 (Haringey) and

the lowest £300 in Bromley. Manchester leads the league in the metropolitan districts with £1,342 with Trafford at the bottom (£281).

The heaviest debt in the metropolitan counties is in Tyne and Wear (£145 per head), largely because of Metro, with South Yorkshire at the bottom (£43).

Bedfordshire owes most per head (£227) in the shire counties and Durham the least (£47). The Greater London Council has outstanding debt of £2.5bn or £338 per head.

Councils financed the highest proportion of their debt by borrowing from the Public Works and Loans Board (37 per cent), followed by bonds and mortgages (39.2 per cent), internal funds and resources (14.2 per cent), temporary debt (12.4 per cent), stock (3.5 per cent), negotiable bonds (2.4 per cent) and miscellaneous loans (1.2 per cent).

Councils have been moving since 1977 to meet the Govern-

ment's advice that they should extend the maturity profile of the debt, and a voluntary code of practice agreed that the average period of maturity from 1981-82 for longer term loans should be not less than seven years. Pressure to achieve this has led to increase in variable rate long-term funding.

Between the 1980 financial year end and 1981, the proportion of debt in rollover and consortium loans moved up from 10.2 per cent to 13.3 per cent within a total of about 40 per cent of debt held at variable rate.

This proportion of debt, likely to be subject to market movements, explains why, with the recent years of interest rate volatility, the national rate of interest on local authority debt has risen from 10 per cent in March 1979 to 13 per cent at March 1981.

Return of Outstanding Debt at March 31, 1981: CIPFA, 1, Buckingham Place, London, SW1.

### Fares boost for Merseyside

MERSEYSIDE TRANS-PORTS cheap fares policy, vindicated in a High Court action last week, continues to attract passengers back to the buses, suburban trains and river ferries.

Details to be presented to the budget meeting of the Passenger Transport Committee in Liverpool today, show the number of passengers carried increased by about 7 per cent in November, the second month of the 10 per cent reduction in fares.

Revenue received in the four weeks was £84,090 more than had been estimated before the cuts were introduced, representing a 2.4 per cent increase.

Justinian, Page 8

### Fine Fare to sell beer in PET plastic bottles

BY MAURICE SAMUELSON

BOTTLES MADE of rigid PET plastic, which have largely displaced glass in the manufacture of some larger containers of fizzy drinks, are entering the British bottled beer market for the first time.

Fine Fare, a leading grocery chain, is to sell two-litre bottles of bitter in about 300 of its 380 stores, following what it describes as promising test sales in northern England and the Midlands.

PET (polyethylene terephthalate) has become widely used for larger bottles of lemonade and Coca Cola. It is also used for two-litre cider packs by Bunnys and Coles Gamers. Fine Fare's PET bottles are made by Metal Box and the beer

is specially brewed by Watney Mann. The grocery chain says more evidence is needed about PET bottles' shelf life but believes they could prove more popular than party-size cans (four or seven pints), which are bulky and usually require can-openers.

PET's impact on the beer market will be closely monitored by makers of cans and glass bottles, who recognise it as the most important innovation in packaging materials for 20 years.

Imperial Chemical Industries, the leading European supplier of polymer for PET bottles, recently decided to spend £50m on raising its capacity by 20,000 tonnes a year.

## INSURANCE

### Stiff hurdle for Lloyd's Bill

BY JOHN MOORE

ANOTHER critical stage in the passage of the Lloyd's Bill will take place today as the House of Commons tries to make progress with its consideration of the measure.

The Bill, which is designed to improve Lloyd's self-regulation, faces considerable opposition over one key clause which would grant new Lloyd's council immunity from suits for damages.

Opponents in Parliament of the clause have already put down amendments to modify it extensively but any chance of the Bill being talked out tonight is remote. There will be no fixed limit for the debate, which means that MPs can discuss the Bill beyond the usual three hours.

The arguments against immunity are likely to take the following form in the debate tonight. Those opposing the immunity clause say that such a rule would remove the prospect of members of Lloyd's taking action against the senior members of the society in the form of suits for damages, if they were to feel their affairs had been negligently handled.

Immunity would protect the senior members of the council, and other members down to the level of "manager" — which, say critics, has a wide if indefensible definition in the Bill.

Critics of the clause also maintain that the Stock Exchange and other comparable bodies do not enjoy such protection. The Stock Exchange relies on qualified privilege for protection, and accepts that it has to demonstrate that it is not acting in an arbitrary or capricious manner in its disciplinary action. All of the Exchange's members have to sign an agreement to accept its rules.

An amendment to the clause, which will be raised tonight, would allow members of the Lloyd's community to sue Lloyd's for negligence. But before taking such action, a member would have to establish in the High Court that there was a prima facie case. The amendment has been assigned to prevent vexatious suits against Lloyd's, and to safeguard members' rights.

Lloyd's has rejected this idea, arguing that, where there is any reasonable doubt involved in a case brought by a member, a judge is likely to let the case go forward. Lloyd's says it needs the immunity clause for two basic reasons. The first is

that the council must be able to act quickly and decisively when initiating disciplinary action against any member of the Lloyd's community, and that the council should not be inhibited from a particular course of action by fear of suit for damages.

The second, and fundamental reason for the clause, Lloyd's says, is that, if a member sues Lloyd's in respect of underwriting losses, the other members of Lloyd's have to foot the bill in the end.

Lloyd's also argues that the clause would prevent immense damage to the market arising from constant wrangles with individual members of its own community. Lloyd's says it is "peculiarly vulnerable to blackmail by litigation."

Lloyd's underwriters trade globally under a variety of licences and permits, any or all of which can be put at risk by publicity attracted by members' suits against their society.

No parallel should be drawn between itself and the Stock Exchange, Lloyd's says, pointing out that the latter's business, unlike that of Lloyd's, is not that of "risk" nor does it have "sleeping partners" with unlimited liability who provide capital.

As for a court hearing to establish whether there were a prima facie case to answer in the event of a negligence claim, Lloyd's has said that would be "positively harmful."

Such an arrangement would allow a "mini-trial" of a suit for damages. A plaintiff would have only to make out a vestige of a case to be likely to be permitted to proceed further with an action against Lloyd's. Rather than discouraging vexatious litigation, says Lloyd's, prima facie hearings would encourage it. Members suffering an underwriting loss would seek relief from the society of Lloyd's by itself, or jointly with their underwriting agent, which looks after their affairs. It would encourage members of the community who were seeking to prevent the council carrying out its duty of regulating the market.

"The imprimatur of a High Court judge, enabling the plaintiff to proceed to trial, even if there were only a vestige of a case," says Lloyd's, "would be a valuable weapon in the hands of a plaintiff seeking in force a settlement from Lloyd's."

### This week in Parliament

TODAY Commons: Debate on the arts

when third report from the Select Committee on Education Science and Arts will be relevant. Further consideration of the Lloyd's Bill from 7 pm.

Lords: New Towns Bill, committee; Transport (Finance) Bill, third reading; Legal Aid Bill, second reading; Constitutional Referendum Bill, committee.

Select Committees: Energy: subject—Combined Heat and Power; Witnesses: Greater London Council, Newcastle City Council, Southwark Council, The Warr Committee (room 8, 4.30 pm).

Foreign Affairs: subject—Caribbean and Central America: British approach to stability, security and development; Witnesses: Mr D. Gay, Dr E. Thomas-Hopwood, Liverpool University (room 6, 4.30 pm).

Public Accounts: subject—court fees; Witnesses: Lord Chancellor's Department, Sir Wilfred Bourne and Mr A. J. Green (room 16, 4.45 pm).

Treasury and Civil Service: subject—budgetary reform in the UK; Witnesses: Ministry of Defence officials (room 15, 4.45 pm).

TOMORROW Commons: Canada Bill, committee stage.

Lords: Western Isles Island Council (Loch Roag) Order for Confirmation Bill, third reading; Legal advice and assistance (financial conditions) regulations and legal aid (special conditions) regulations; Mental Health (Amendment) Bill, report stage.

Select Committees: Environment: subject—private rented housing sector; Witnesses: British Property Federation (room 16, 4.00 pm).

Parliamentary Commissioner for Administration: subject—reports of the Health Service Commissioner; Witnesses: health departments (room 5, 5.00 pm).

Foreign Affairs: Overseas Development: Sub-Committee. Subject—the work of the Commonwealth Development Corporation; Witnesses: Commonwealth Development

Corporation (room 8, 5.15 pm).

WEDNESDAY Commons: Travel Concessions (London) Bill, second reading; Motion on the Department (Northern Ireland) Order.

Lords: debate on rural housing and possible solutions to the grave difficulties of many villages; Debate on the problems of housing, farming and transport in Scotland's rural areas. Debate on launching aid for a possible British contribution to the A230 Airbus.

Select Committees: Scottish Affairs: subject—rural road passenger transport and ferries; Witnesses: Strathclyde Regional Council (room 5, 10.30 am).

Home Affairs: subject—police complaints procedure; Witnesses: Association of Metropolitan Authorities, County Councils Association, Local Ombudsman (room 8, 10.45 am).

Industry and Trade: subject—Rolls-Royce Ltd; Witnesses: Mr Norman Lamont, Minister of State, Department of Industry, and officials (room 16, 10.45 am).

Social Services: subject—the age of retirement; Witnesses: Management and Personnel Pensions and Personnel officers (room 21, 4.15 pm).

Employment: subject—youth unemployment and training; Witness: The Rt Hon Norman Tebbit, MP, Secretary of State for Employment (room 16, 4.30 pm); Committee on Private Bills; Court of Referees (room 13, 10.30 am).

THURSDAY Commons: debate on Welsh Affairs.

Lords: New Towns Bill, third reading; Civil Jurisdiction and Judgments Bill; report Mental Health (Amendment) Bill, report.

Select Committees: Welsh Affairs: subject—water in Wales; Witnesses: Welsh Water Authority (room 18, 10.30 am); Agriculture: subject—horticulture; Witnesses: National Union of Agricultural and Allied Workers (room 16, 10.45 am).

FRIDAY Commons: Private Members' Bills.

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## GREAT PENSIONS

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UK NEWS - LABOUR

Treasury paper on civil servants' pay 'misleading'

BY PHILIP BASSETT, LABOUR CORRESPONDENT

CIVIL SERVICE trade union leaders are urging the Government to treat with caution Treasury paper on Civil Service pay trends. They say it is misleading and inaccurate. The inquiry is chaired by Sir John Megaw.

Of its own paper to the inquiry, the Council of Civil Service Unions says its analysis of the Treasury's "basic mistakes, the deliberate massaging and the misleading assumptions" clearly demonstrate the need for a permanent, independent fact-finding body to provide agreed data for Civil Service pay negotiations.

The Government's scrapping of the service's comparability-based pay system, built on information provided by the

now-abolished Pay Research Unit, led directly to last year's 21-per cent Civil Service strike. The inquiry, due to report by mid-summer, will propose a pay system to replace that abandoned by the Government. Mr Bill Kendall, CCSSU secretary general, said yesterday: "The Treasury's paper is exposed as a crude propaganda exercise and not a factual report. The facts are that civil servants are underpaid compared with private-sector employees."

In evidence to the inquiry the salary group Inbucon had said it was unfortunate the issue of Civil Service pay was reviewed now and not "in a period of political tranquility." The unions' paper deliberately picks up this point and suggests there may have been

anterior motivation behind the submission of the Treasury document.

In detailed analysis the unions noted several arithmetical errors in the Treasury's paper. The most serious is that the Treasury said the annual rate of increase for white-collar male earnings in the private sector between 1970-81 was 13.4 per cent. The unions' calculations put it at 14.9 per cent.

The unions' figure gives a different complexion to the Treasury's comparison of its figure with that given for Civil Service earnings of 14.9 per cent. The CCSSU suggests the Treasury has "manipulated" its figures by excluding women from its statistical case and by choosing 1970 as its base-date for comparisons.

Orchestra's strike hits Sadler's Wells ballet

By David Churchill

THE OPENING performances of Sadler's Wells Royal Ballet's London season, due to start tomorrow night, have been cancelled because of the five-week strike by the company's orchestra.

The move follows a collapse of talks between the Musicians' Union and the Royal Opera House management. The orchestra seeks a retainer to compensate for occasions the ballet company tours abroad and local orchestras are used. The orchestra rejected on Friday an offer of a guaranteed 35 weeks' work a year. Instead, it decided to press for a 40-week minimum guaranteed contract.

The dispute has forced the ballet company to cancel regional tours recently, including performances of Swan Lake. Because orchestra rehearsals did not start on Friday for the opening performances, management decided to cancel the ballet programme scheduled for Tuesday to Thursday.

Talks are expected this week. They could save some of the remaining London season of the ballet company, sponsored by the J. Sainsbury supermarket chain.

Low Pay Unit tackles Tebbit on young's wages

BY IVO DAWNAY, LABOUR STAFF

AN INDEPENDENT pay research body has called on the Government to give assurances it will not withdraw the protection of wages councils from young people.

Mr Chris Pond, director of the Low Pay Unit, has written an open letter to Mr Norman Tebbit, Employment Secretary, to express concern at the Government's approach to young people's wages.

He claims Mr Tebbit is seriously considering removing the protection of wages councils from young people. The councils set minimum pay rates in some industries. Such a move would leave young people additionally liable to exploitation, Mr Pond says.

The letter also warns that the effect of the recently-introduced Young Workers' Scheme, which offers cash incentives to employers paying young people less than £35 per week, does not

offer safeguards to prevent companies replacing adult workers with subsidised workers aged under 18 years.

It also expresses concern employers required to pay minimum rates laid down by wages councils may be tempted to lower pay illegally in order to qualify for subsidies.

The letter cites Employment Department research which indicates there appears to be no correlation between levels of youth unemployment and changes in young people's earnings.

Government claims that wage levels are a significant factor in the creation of youth unemployment "may be seen as a cynical attempt to make young people themselves a scapegoat for the problem," Mr Pond says.

The Employment Department said yesterday there were no plans to exempt employers of young people from their obligations under the wages councils.

Arms switch role for unions

TRADE UNIONS should take the lead in plans to switch arms production to peaceful uses, according to Mr Tim Webb, a national officer of the Association of Scientific, Technical and Managerial Staffs, in a pamphlet entitled The Arms Drain: Job Risk and Industrial Decline, published by the Campaign for Nuclear Disarmament for Nuclear Disarmament

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Dunlop plants threatened

BY ROBIN REEVES

TRADE UNION leaders from 20 major Dunlop Group plants agreed at the weekend to start industrial action this week in support of the 11-week dispute at the group's Semtex floor-coverings factory at Brynmawr, South Wales.

Details of planned action, drawn up by shop stewards meeting in Skelmersdale, Lancs, were kept under wraps yesterday. Mr Geoff Jacobs, a local transport union official, said they wanted to avoid company counter-measures. "We want to hit them and hit them hard," he said.

The dispute was given Transport and General Workers Union official support last week. It began before Christmas as a factory occupation, to demand more investment to secure the plant's future. It has become a battle over redundancy terms.

The 450 workers involved demand normal Dunlop redundancy terms. The company insists they have breached contracts. It is prepared only to offer ex gratia payments, in excess of the statutory redundancy minimum but short of usual Dunlop payouts.

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interim or final. The sub-divisions shown below are based mainly on last year's timetable.

Table with columns for dates (Today, Tomorrow, Friday, Saturday, Sunday, Monday, Tuesday, Wednesday, Thursday) and lists of company meetings, dividend payments, and interest payments.

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Personal computers, word and data processors, facsimile terminals, electronic mail, the private business satellite system, teleconference—all are rapidly taking hold in the office, boosting productivity and profits to record levels. Based on advanced technologies such as those used to develop giant computers and fiber optic communication systems, NEC offers a fully integrated line of office systems and equipment serving business in every conceivable application. After all, we've been contributing to it for over 80 years. Another reason why NEC has earned the trust of customers the world over.

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# Fares are back on the legal stage

IN THE face of the Law Lords' unanimous ruling just before Christmas, striking down the Greater London Council's "fares fair" policy, it was both bold and brave for Mr Justice Woolf to decide that the Merseyside County Council's cheap fares policy was nevertheless within its statutory powers. What is sauce for the London travelling goose appears legally not to be sauce for the Liverpoolian sander.

The judge held that under the Transport Act 1968, which applies to public passenger transport services outside London, the setting of fares at a level that would inevitably produce a deficit for the service is not automatically unlawful. For Londoners the transport authority was contravened, bound under the Transport (London) Act 1969 to conduct its transport service in strict business principles, attempting to avoid any deficit. Outings must as far as practicable be met out of revenue from passengers. Why the difference?

The recent legislative history of the nation's transport policy is both informative and instructive. The Transport Act 1962 had followed traditional lines. All transport authorities were generally not permitted to finance their services either entirely or mainly out of the rates.

While it was left to the authorities to decide what fares should be charged within any prescribed statutory maxima for the time being in force, the service was nevertheless to be run as a business venture. In other words, fares fixed by the authorities at their discretion had to be according to business

principles, even though the profit motive was not the sole, or even overriding consideration. They had to provide an efficient service at reasonable cost. That, of course, might be impossible to attain without some degree of loss. But what they could not do was deliberately to go out of their way in making losses by giving away rights of free travel, or heavily to subsidise the travelling public out of the rates.

Did Parliament in 1968, and for London in 1969, switch from

ing policies and to economy and safety of operation. The comparable section in the 1969 Act for London provides that the GLC's duty is "to develop policies, and to encourage, organise and, where appropriate, carry out measures, which will promote the provision of integrated, efficient and economic transport facilities and services for Greater London."

There were two matters of note. The London legislation did not deal with the executive

has taken the power to reverse its own previous decisions, a radical departure from the strict doctrine of precedent that for nearly a century had prevailed.

There would be a strong disinclination on the part of the House of Lords, even if the composition of the Appellate Committee of five Law Lords was radically different from the five who downed the GLC, and within such a short space of time. But their Lordships cannot be unaware of the substantial body of informed opinion that found their decision of December a little hard to understand.

There is another basis for adherence to the GLC decision, while acknowledging that the 1968 Act was after all founded on the same political philosophy towards public passenger transport as its bedfellow, Mr Justice Woolf was less unfavourably impressed with the way that the Merseyside Labourites went about putting their manifesto promises into action than the Law Lords were with GLC's rush to judgment.

Firstly, there was no question of the reduction in the proposed fares bringing upon Liverpoolian heads an automatic loss of rate support grant from central government. While in both cases there had been a degree of indecent haste about their translating manifesto promises into executive action, there had been a more studied and temperate consideration given by the Merseyside Structure Plan as approved by the Secretary of State, that plan revealing transport as an important measure towards the regeneration of an area which had become depressed by the economic climate of the last few years.

Moreover, the social policy towards bus fares accorded with the Merseyside Structure Plan as approved by the Secretary of State, that plan revealing transport as an important measure towards the regeneration of an area which had become depressed by the economic climate of the last few years.

But what about the other areas of the country, like the West Midlands, where the transport authority has already succumbed to the suggestion that it could not impose a system of reduced fares?

Mr Justice Woolf, by his forthright decision, has put the transport issue back on to the legal stage, when most politicians, at both central and local level, had thought that the law had uttered its last word. Confusion about transport policy has been worse confounded. Or are the courts going to reverse their attitude, so as to confound us all?

*Bromley, London Borough Council v. Greater London Council [1982] 2 W.L.R. 62*  
*R v. Merseyside County Council, ex parte Great Universal Stores Ltd, Times Law Report, February 18, 1982.*

## THE WEEK IN THE COURTS

BY JUSTINIAN

a "break-even" policy to one which permitted, even if it did not positively stipulate, a social policy of cheap travel for passengers? The House of Lords said no to that when the GLC pursued that latter policy after the elections of last May. But until the appellate courts determine otherwise, the rest of the country may find its transport services run, not as a business but as an instrument of social policy.

The 1968 and 1969 Acts were the creatures of a single Labour Party policy. They both established the two-tier structure of passenger transport authorities and passenger transport executives. The duty of the authorities under the 1968 Act is to "secure or promote the provision of a properly integrated and efficient system of public passenger transport to meet the needs of that area with due regard to the town planning and traffic and park-

(the London Transport Executive) save in respect of its financial duty which had no counterpart in the 1968 Act and it made no reference to town planning, neither being a matter of real substance in deciding what was the underlying policy to be pursued. The one apparently significant fact is the omission of the word "economic" from the 1968 Act.

Much of the argument in the GLC case had turned on "economic," a word of considerable ambiguity. In another section dealing with the duty of the transport executive, the phrase used was that the executive should have due regard to "efficiency, economy and safety of operation."

Is there really any significant difference in the alternative use of the noun and the adjective? It seems in any event a slender basis for deciding that the two pieces of legislation—the 1968 and 1969 Acts—were designed to provide distinct policies, even if the two Acts were the work of the same parliamentary draftsman.

One suspects that two parliamentary draftsmen used different language to achieve the same legislative purpose. It would be strange indeed if the rest of the country was to be treated differently from London, even if the latter has special transport problems as the nation's capital.

Could it be that Mr Justice Woolf has fastened on to the more clearly compelling language of the 1968 Act for coming to a conclusion of parliamentary intention than the Law Lords had for coming to a diametrically opposite conclusion? If his detailed analysis of the 1968 Act has pointed the court in the direction of a policy that accords more nearly with what the public thought was the sensible policy for modern transport systems, will any appeal in the Lords provide an opportunity for a re-appraisal by the Law Lords of their decision on the 1969 Act. Since 1966 the House of Lords

## RACING

BY DOMINIC WIGAN

NONE OF the leading Cheltenham Festival candidates have been attracted to Wolverhampton for today's rather pretentiously titled Wolverhampton Champion Hurdle.

Nevertheless, the two-mile event is not without interest. In Birds Nest, Baron Blakeney, No Bombs and Holemoor Star it has secured the presence of four hurdlers still very much in the public eye.

Although I would love to see Birds Nest, who will not be asked to run in next month's Champion Hurdle, record his fifth course and distance victory I suspect the finish will be dominated by Night Nurse's stable companion No Bombs, and Susan Morris's Somerset challenger Holemoor Star.

No Bombs has had more than his fair share of training problems, but remains a high-class hurdler and if his recent run at Nottingham is anything to go by he will soon be back to his very best. Making his first appearance since October there, No Bombs nearly succeeded in

### FONTWELL

- 2.15—Homesman\*\*
- 2.45—Spring Rocket
- 3.15—Indiana Dare
- 4.15—Stephen Langton
- WOLVERHAMPTON
- 1.30—PC Pilot\*\*
- 2.30—Straight Line
- 3.00—No Bombs\*
- 4.00—Besieged
- 4.30—Breeze Wagon

## BBC 1

- 6.40-7.55 am Open University (UHF only). 9.08 For Schools. Colleges. 10.00 You and Me. 10.15-12.07 pm For Schools. Colleges. 12.30 News After Noon. 1.00 Pebble Mill at One. 1.45 Camberwick Green. 2.01 For Schools. Colleges. 3.00 Delia Smith's Cookery Course. 3.25 See Hear! 3.55 Regional News for England (except London). 3.55 Play School. 4.30 Pirie and Dixie. 4.45 Jackanory. 4.40 Scooby and Scrappy Dog. 5.00 John Craxie's Newsround. 5.05 Blue Peter. 5.35 Ivor the Engine. 5.40 News. 6.00 National News Magazines. 6.25 Nationwide. 6.55 Doctor Who starring Peter Davison. 7.20 Bret Maverick starring James Garner. 8.10 Panorama. 9.00 News. 9.25 Police: Inside the Thames Valley Constabulary (The Duchess and the Detectives). 10.10 Professional Boxing: Tony Sibson v Dwight Davison. 10.45 Film 33 with Tina Brown. 11.15 Phil Silvers as Sergeant Bilko. 11.28 News Headlines. 11.40 Speak For Yourself: "Getting the Landlord to do Repairs."

## All IRA Regions as London

except at the following times:—

- ANGLIA**  
1.30 pm Anglia News. 2.30 Monday Film: Matinee "Skyjacked" starring Charlton Heston. 5.15 University Challenge. 6.00 About Anglia. 6.30 Movie Matinee. 10.30 Anglia Reports. 11.00 The Palace Presents: Jack Jones entertains with his guest David Soul. 12.00 Superstar Profile. 12.30 am The Living Word.
- BORDER**  
1.30 pm Border News. 2.00 Film: "The Final Eye" starring Susan George. 3.45 Money-Go-Round. 6.15 Bygone. 6.30 Lookaround Monday. 6.45 The Sound of... Wynford Evans. 8.30 Mr and Mrs. 10.30 Thriller. 11.40 Border News Summary.
- CENTRAL**  
1.20 pm Central News. 12.00 The Monday Screen Matinee: "A Snitch in Time" starring Norman Wisdom. 3.45 Money-Go-Round. 6.00 Central News. 10.30 Parents and Teenagers. 11.00 Central News. 11.30 Left, Right and Centre. 11.45 Para-Sy Night. 12.15 am Something Different.
- CHANNEL**  
1.20 pm Channel Lunchtime News.

## (8) Stereophonic broadcast

### RADIO 1

- 5.00 am As Road 2. 7.00 Mkt Read. 9.00 Simon Bates. 11.30 Gava Lee Trevis. 2.00 pm Paul Burnett. 3.30 Steve Wright. 5.00 Peter Powell. 7.00 David Alton with Andy Peebles. 8.00 Sayin' Alike. 10.00-12.00 John Peel (S).

### RADIO 2

- 5.00 am News. 6.45 Ray Moore (S). 7.30 Terry Wogan (S). 10.07 Jimmy Young (S). 12.02 pm Cricket One. 12.03 Gloria Hunniford (S). 2.00 Ed Stewart (S). 4.00 Omid Djalili (S). 5.45 News: Sport. 6.00 John Onn (S). 8.00 Folk on 2 (S). 8.00 Humphrey Lyttelton with the Best of Jazz (S). 8.55 Sports Desk. 10.00 Monday Movie Quiz with Ray Moore. 10.30

## TELEVISION

### Chris Dunkley: Tonight's Choice

The programme you are most likely to miss tonight (that's why, though it is broadcast at 11.00, I am putting it first) is the opening episode of "A Confederacy of Dunces" which is the new Book At Bedtime on Radio 4 Long Wave. It is the only book by John Kennedy Toole, who killed himself when he continually failed to get it published. Eleven years after his death his mother succeeded, the book was hailed as a great comedy, and has become a cause célèbre.

Julian Pettifer introduces a new series of Nature Watch on ITV with an account of the efforts of a young Welsh ornithologist to save the Mauritanian kestrel by taking eggs from a mountain nest for hatching in an incubator. Police on BBC-1 shows the Reading force staking out the country home of the Duchess of Marlborough to await an expected burglary. BBC-2's Horizon looks at the second attempt to rid Ceylon of malaria.

## BBC 2

- 6.40-7.30 am Open University. 10.25 Speak For Yourself. 11.00 Play School. 11.25 Play It Safe! 11.35 Write Away! 2.00 pm Long, Short and Tall Stories. 2.25 Maths Help. 2.40 Other People's Lives. 3.05 The Computer Programme. 3.30 Business Club. 3.55 Star Movie: "The Gang's All Here" starring Jack Buchanan. 5.10 Richard Hoggart.

## LONDON

- 9.30 am Schools Programmes (half-term repeats). 12.00 Cockle-shell Bay. 12.10 pm Rainbow. 12.30 That's the Way. 1.00 News plus FT Index. 1.30 Thames News with Robin Houston. 1.30 About Britain. 2.00 Money-Go-Round. 2.30 Monday Matinee: "True As A Turf," starring John Gregson and June Thorne. 3.15 D. Snuggles. 4.20 Graham's Ark. 4.45 The Book Tower. 5.15 Mr and Mrs. 5.45 News. 6.00 Thames News with Andrew Gardner and Rita Carter. 6.25 Help! with Viv Taylor Gee. 6.35 Crossroads. 7.00 Nature Watch. 7.30 Coronation Street. 8.00 Dead Ernest. 8.30 World In Action. 9.00 Hill Street Blues: Daniel J. Travanti in "Chipped Beef". 10.00 News. 10.30 "The Love Ban," starring Hywel Bennett, Namette Newman and Milo O'Shea. 12.20 am Close: Sit Up and Listen with Robert Kilroy-Silk, MP.

## BBC 2

- 7.40 Laurel and Hardy in "Our Wife". 8.00 Maggie. 8.25 Mr Smith's Favourite Garden. 8.50 News Summary. 8.55 Riverside. 7.30 Hot Champagne and First Night News. 8.15 Marti Caine. 8.30 Not the Nine O'Clock News. 9.25 Horizon. 10.15 West Country Tales. 10.45 Newsmight. 11.30 TeleMontage.

## A Full Life: Lord Bessing. 11.00

Thriller: "I'm the Girl He Wants To Kill." 12.25 am Company.

## TYNE TEES

- 8.20 am The Good Word. 8.25 News: East News. 7.30 pm North-East News and Lookaround. 7.30 Monday Matinee: "Vacation From Marriage," starring Robert Donal and Deborah Kerr. 8.15 Days. 8.30 North-East News. 8.52 Mr and Mrs. 9.30 Northern Life. 10.30 North-East News. 10.32 Briefing. 11.15 Lou Grant. 12.10 am Welcome Back, Kotter. 11.00 Face Your Future. 11.25 News at Bedtime.

## ULSTER

- 1.20 pm Lunchtime. 2.30 Monday Matinee: "Panic in the City," starring Howard Ouff and Linda Cristal. 4.15 Ulster News. 5.15 Radio. 5.30 Good Evening Ulster. 5.00 Good Evening Ulster. 6.30 Mr and Mrs. 9.00 Quincy. 10.28 Ulster Weather. 10.30 Welcome Back, Kotter. 11.00 Face Your Future. 11.25 News at Bedtime.

## YORKSHIRE

- 1.20 pm Calendar News. 12.30 Monday Matinee: High Treason. 1.15 Ulster News. 5.15 Radio. 5.30 Good Evening Ulster. 5.00 Good Evening Ulster. 6.30 Mr and Mrs. 9.00 Quincy. 10.28 Ulster Weather. 10.30 There's a Life North of Watford. 11.00 Lou Grant.

## TVS

- 1.20 pm TVS News. 2.30 Monday Matinee: "Doctor At Sea," starring Orsi Szopos. 5.15 Radio. 5.30 Coast to Coast. 8.00 Coast to Coast (continued). 8.30 Emmerdale Farm. 10.30

## RADIO

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- 5.00 am News. 6.45 Ray Moore (S). 7.30 Terry Wogan (S). 10.07 Jimmy Young (S). 12.02 pm Cricket One. 12.03 Gloria Hunniford (S). 2.00 Ed Stewart (S). 4.00 Omid Djalili (S). 5.45 News: Sport. 6.00 John Onn (S). 8.00 Folk on 2 (S). 8.00 Humphrey Lyttelton with the Best of Jazz (S). 8.55 Sports Desk. 10.00 Monday Movie Quiz with Ray Moore. 10.30

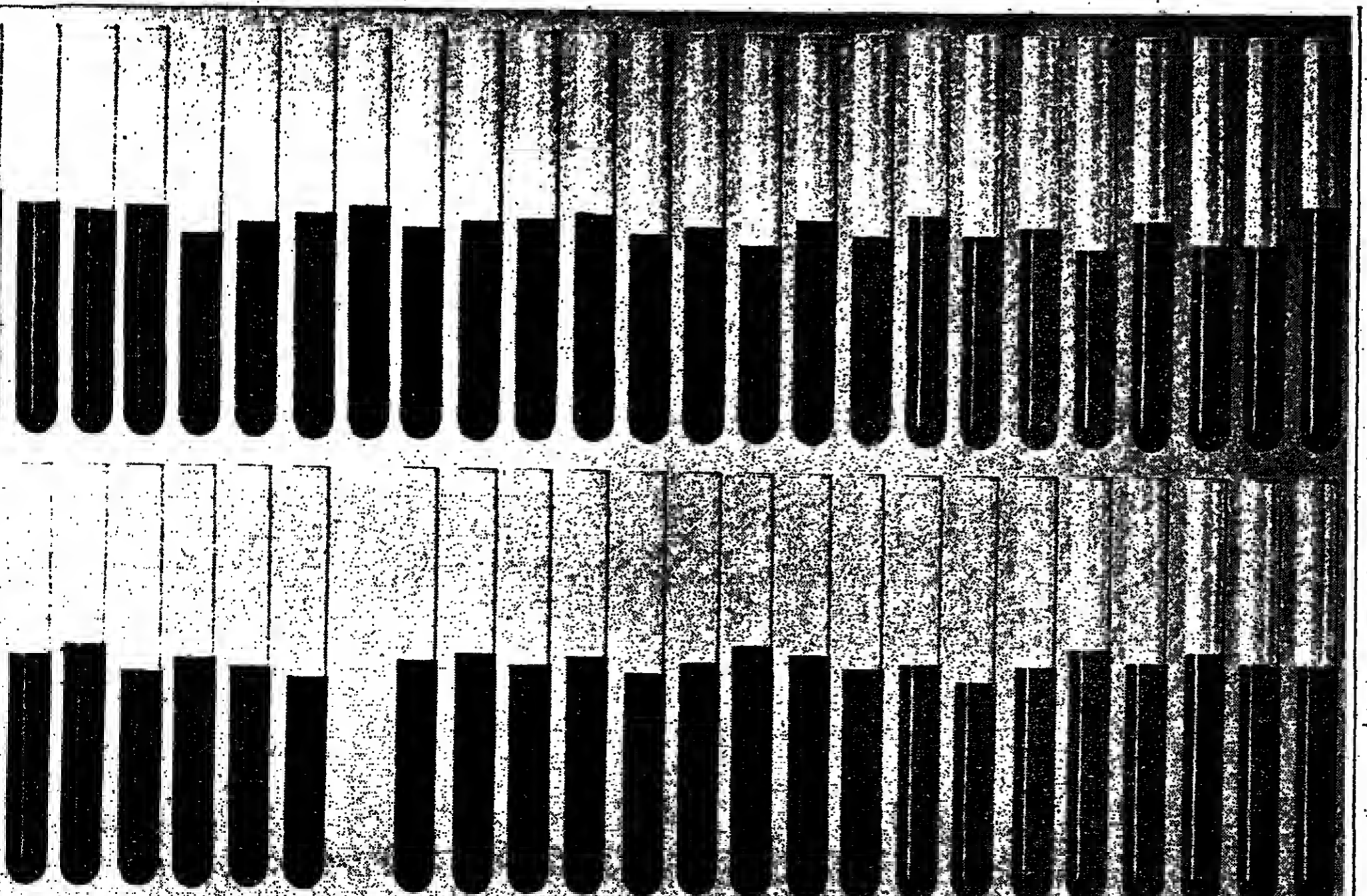
### RADIO 3

- 5.55 am Weather. 7.00 News. 7.05 Morning Concert (S). 8.00 News. 8.05 Morning Concert (continued). 9.00 News. 9.05 This Week's Composer: Leonard Bernstein (S). 9.30 Music For Young Guit (S). 10.20 Bachman (S). 11.00 Songs From Three Continents (S). 11.45 Edward Downes conducts (S). 1.00 pm News. 1.05 BBC Lunchtime Concert (S). 2.00 Matinee Musicals (S). 3.00 Bvettan Royal Wedding of 1988 (S). 4.55 News.

### RADIO 4

- 5.00 am News Briefing. 6.10 Farming Week. 6.25 Shipping Forecast. 6.30 Today. 8.36 The Week On 4. 8.45 John Eddon reads into the BBC Sound Archives. 9.55 Weather. 10.00 News. 10.05 Start The Week with Richard Baker (S). 10.00 News. 10.02

# Hitachi looks ahead to find answers for today.

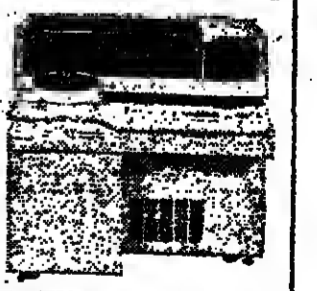


**Hitachi's Automatic Blood Chemistry Analyser helps speed treatment in hospitals and clinics.** Equipped with special micro-computer-controlled circuits and 16 items for processing data, it can automatically perform up to 16 crucial analyses on blood samples, totalling 180 tests per hour.

Speed is a doctor's best weapon against disease. The time that hospitals and clinics save in analysing blood samples enables treatment to begin that much sooner. And hopefully every prognosis will be good.

The new Hitachi "medical center" is just one more way Hitachi is making life a bit more healthy. Over 23,000 patents are proof of the ongoing efforts. Hitachi's 10,000 research and development personnel are working around the globe to keep the advances coming. Advances like an ultrasonic tomography system that has revolutionised medical diagnostics. And a VLSI (very large scale integrated circuit) that's virtually an artificial brain.

Believe it, Hitachi technology is giving the whole world a better image.



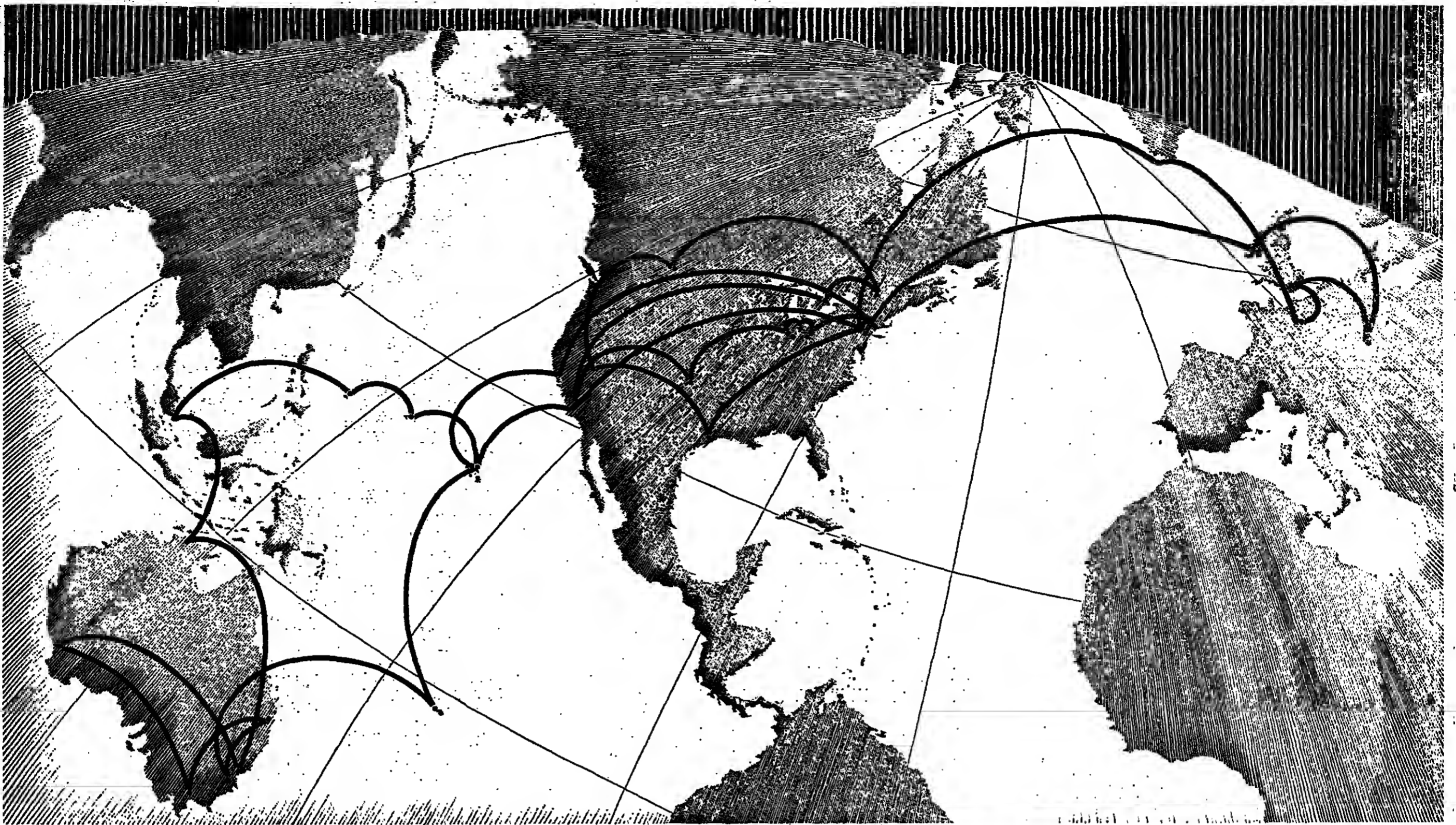
Hitachi Model 705 Automatic Blood Chemistry Analyser.



# HITACHI

## Early detection. Better prognosis.





## When you fly a new corporate jet over 70,000 miles in 48 straight days, virtually anything can happen. In fact, virtually nothing did.

By now, you may be aware of the fact that the Canadair Challenger will fly its passengers more economically and in greater comfort than any other intercontinental corporate jet in the world.

What you may not be aware of is the success with which the first Challengers have already done so.

A crucial point illustrated best, we feel, by an actual case history.

**What we did with this aircraft in less than two months, you probably wouldn't do in five months.**

On September 14, 1981, Canadair Challenger #5 left its home base in Hartford, Connecticut with a crew of three, flew to New York to pick up eight passengers, flew to Long Beach, California for the National Business Aircraft Association Convention, flew 13 demonstration flights in two days, then left immediately for Honolulu and the Western Pacific.

The itinerary included Wake Island, Guam, Singapore, Kuala Lumpur, Penang, Paya

Lebar (Singapore), Darwin, Sydney, Perth, Melbourne, Essendon (Melbourne), Brisbane, Canberra, Pago Pago, Honolulu again, and finally San Francisco, Bridgeport and Hartford.

Total miles flown: 36,000. Total days: 20. Total takeoffs and landings: 60. Average hours flown per day: 4.7. Total hours flown: 93.4.

Dispatch reliability: 100%. Special maintenance and support provisions: none.

Which is not to say that, with its Pacific tour completed, the Challenger had arrived back in Hartford for a respite.

The next morning it refueled and flew to Europe.

And, by the sheerest coincidence, so did another corporate jet.

### Duel over the Atlantic.

On October 4 and 5, respectively, the Canadair Challenger and another corporate jet flew New York to Vienna, with a stop in Shannon, Ireland.

As the chart below will show you, the Challenger arrived exactly three minutes later, and exactly \$2,367.12

cheaper. One way.

(Incidentally, based on computer-projections of their manufacturers' own data, even some far smaller corporate jets with shorter range would not have achieved any meaningful advantage over the Challenger in fuel efficiency, while some corporate jets of comparable size would have required about 1/3 more than the Challenger.)

Which is still not to say that the Challenger then flew home for a respite.

Instead, it flew home for a tour of North America. By way of London, Paris, New York, Houston, Las Vegas, Pittsburgh, Montreal, Toronto, Calgary, Los Angeles, Cincinnati, Kansas City and Akron. To name just a few of the stops.

Total miles flown: 70,000. Total days: 48. Total takeoffs and landings: 111. Average hours flown per day: 4.1. Total hours flown: 195.9.

Dispatch reliability: 100%. Special maintenance and support provisions: none.

Which is still not to say that the Challenger then flew home for a respite.

At this writing, it is uninterruptedly flying its missions, receiving only routine maintenance and parts support and giving no one even the slightest degree of grief.

For a detailed explanation of how a corporate jet so new can possibly be so reliable, we suggest you ask the man in the best position to know. His name is James B. Taylor and he's the President of Canadair Inc. His address is 274 Riverside Avenue, Westport, CT 06880 and his telephone number is (203) 226-1581.

There's a great deal he can tell you himself. And, if you like, he can even have you meet with the maintenance people responsible for that Challenger.

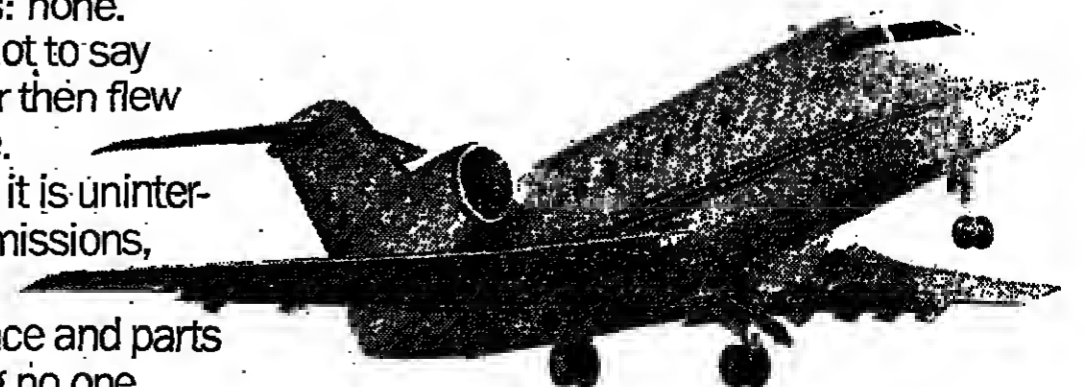
They have lots of free time on their hands.

In the Mideast business world, TAG Aeronautics Ltd. is the exclusive distributor and representative for Challenger sales and support. For further information, contact Adel A. Oubari, Vice President, TAG Aeronautics Ltd., 14 Rue Charles Bonnet, 1211 Geneva 12, Switzerland. Phone: (022) 46 17 17. Telex: 289 084.

	TOTAL TIME PASSENGERS	TOTAL EN ROUTE	TOTAL DISTANCE	TOTAL FUEL CONSUMPTION	TOTAL FUEL COST*
CHALLENGER (OCTOBER 4)	8 + 2 CREW	8HR. +51 MIN.	3,760NM	2,782 GAL.	\$4,673.76
ANOTHER CORPORATE JET (OCTOBER 5)	8 + 2 CREW	8HR. +48 MIN.	3,760NM	4,191 GAL.	\$7,040.88

Flight summary: New York-Shannon-Vienna-October 4 and 5, 1981.

\*Based on an average cost for jet fuel of \$1.68 per gallon. From a national survey of U.S. fixed base operators as reported in the November 1981 issue of Business and Commercial Aviation.



**canadair challenger**

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Siemens labours under a technological burden

BY STEWART FLEMING

SINCE the near collapse of its rival, AEG-Telefunken, in 1979, Siemens, West Germany's third largest industrial company, has been expected to carry the banner of West German industry into the brave but intensely competitive new world of microelectronics.

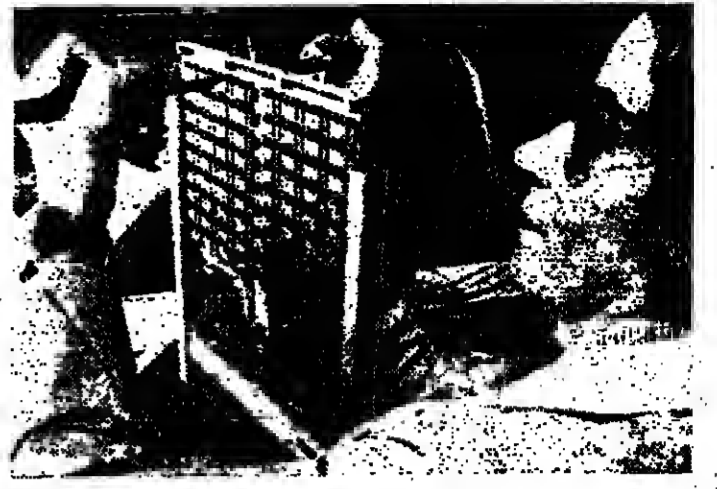
then how much more daunting is the task facing dozens of other companies? The question springs all too readily to mind in a country like West Germany, which is currently gripped by a pervasive and excessive pessimism.

Industrial environment is a thing of the past. Siemens built itself into the world's fifth largest electrical equipment manufacturer on the basis of its mastery of electro-mechanical technology and a rock solid home market for telecommunications equipment.

will be the basis of its future growth. Its efforts can best be seen from the marked increase in its research and development budget expenditure which is written off annually against the profit and loss account.

from those which Siemens has followed traditionally. New competitors are emerging. A big question for Siemens, now, for example, is whether the break-up of the world's most powerful telephone company, American Telephone and Telegraph, as the result of an anti-trust settlement in the United States, will mean that its Western Electric manufacturing subsidiary will become a much more aggressive competitor in world telecommunications markets.

Electro-mechanical technology evolved only slowly in the first 70 years of this century, allowing companies like Siemens plenty of time to develop new products and allowing it to put great emphasis on engineering quality.



Dr Karlheinz Kaske sees the advent of micro-electronics fundamentally changing the nature of many of the businesses Siemens is in

THE TWIN challenges of technological and market change have struck Siemens in the midst of a period of West German economic recession and world economic weakness.

was not Siemens' tendency to overestimate its technical strength which was the main problem; the high technology integrated circuit business suffered a disproportionately small part of the loss.

much for Dr Baur, insiders say. He was not the first top Siemens executive and managing board member to bow out before the new policies.

Traditional Closing the technological gap is only part of the challenge Siemens faces in order to maintain its position as a world leader in the electrical industry, however, for the advent of micro-electronics is fundamentally changing the nature of many of the businesses it is in.

reacted so slowly to the challenge of digital switching. Fortunately, the Post Office's strong financial position and the Government's recognition of the importance of telecommunications—both at home and in export markets—have prompted the Post Office to move rapidly into the development of a digital telephone network and also ultimately into a glassfibre-based transmission system.

rapid progress in the sale and development of its digital private exchanges. It sees the sale of such private exchanges as one door into the market for equipment in the "office of the future."

The reasons for this decision made sense at the time but it has meant that the company cut itself off from the very market that was setting the pace in the electronics industry.

ware engineering department in the computer division. Dr Kaske has made it clear both internally and externally, and not just in relation to the components group but also in other divisions such as computers, that the days when Siemens could afford to do everything are over.

New strategies in search of profitability

TECHNOLOGY

EDITED BY ALAN CANE

New drilling rig promises improved operator safety

BY ANDREW FISHER, SHIPPING CORRESPONDENT

BRITISH SHIPBUILDERS has produced an advanced design for a semi-submersible drilling rig which can operate in such harsh oceans as the Atlantic, off eastern Canada and the North Sea.

construction, some 120 semi-submersibles are used around the world for drilling. More than 50 are being built, including 15 in Japan, nine in South Korea, and four in Singapore.

section of the market beyond the capability of present designs. BS said the design integrates the most advanced drilling techniques with long self-sustaining periods on station under Arctic conditions.



The Henrik Ibsen, sister rig to the ill-fated Alexander Kiehlund which was lost in the North Sea developed a list while at anchor in Stavanger. (Right) an artist's impression of British Shipbuilders' design for a semi-submersible rig to meet the harshest of sea conditions.

Cut-out to beat the wiper problem An electronic cut-out to alleviate problems with multiple motor wipers developed by Dudley's (Redditch). The cut-out allows one wiper motor to park and the other to complete its cycle and then come to rest through a single switch operation. Dudley's (0527 87701).

Advertisement for Microsystems 82, featuring a circular logo with the text 'A VISIT IS WORTH YOUR WHILE' and details about an exhibition at the West Centre Hotel, Lillie Road, London SW6.

Crop-spray aircraft from Britain

THIS is the Fieldmaster, the first crop-spraying aircraft to be designed in Britain since the mid-50s. The aircraft was put through its paces at Farnborough last week (as reported briefly in Friday's editions of the FT).



Polaroid fast overhead colour transparencies

PUT ON the market by Polaroid (UK) of St Albans is a new 10 x 8 film which can make colour transparencies for overhead projection within a few minutes of exposure.

Advertisement for Emerson, featuring the text 'UPS-or downs' and 'EMERSON' with a logo, promoting uninterruptible power supplies.

Advertisement for Emerson poultry packing, titled 'Controlling poultry packing', describing a computerized system for controlling poultry or meat packing plants.

Advertisement for Emerson microprocessors for the farm, titled 'Microprocessors for the farm', describing a system for monitoring and controlling farm machinery.

Advertisement for MAI computers, featuring the text 'MAI computers' and 'Black Arrow House, Chandos Road, London NW10 6NF', promoting microcomputers.

Intel third-generation technology improvement

INTEL, the significant U.S. semiconductor house, has introduced a third-generation technology which, it claims, will improve significantly the density and performance of memory components and microprocessors.



# FINANCIAL TIMES

BRACKEN HOUSE, CANNON STREET, LONDON EC4A 4BY  
Telegrams: Finantim, London PS4. Telex: 8954871  
Telephone: 01-248 8000

Monday February 22 1982

## A very Irish outcome

WHILE THE Irish deserve congratulations for winning the Triple Crown at rugby over the weekend, the results of their general election are unfortunately less decisive. The election was precipitated when Dr Garret FitzGerald introduced a tough budget last month designed to deal with Ireland's severe, though soluble, economic problems—only to find that he lacked the support of sufficient independent members of the Dail (Parliament). For a time, it looked as if he had at least served to concentrate the mind; the campaign was fought almost entirely on economic issues in a way that has never happened before. At the end of the day, however, he seems to have lost.

For Dr FitzGerald to have any chance of forming the new Government on March 9 depends on his renewing the coalition with the Irish Labour Party and wooing another handful of members from small parties. The Labour Party meets today to consider its position and may well decide to go it alone. The independent members are more likely to go with Mr Charles Haughey's Fianna Fail.

**Mavericks**  
Thus Mr Haughey probably has it, though even here there could be wrinkles. As the Prime Minister before the previous election in June, he received much of the blame for the deterioration of the economy. Under another leader, Fianna Fail might have won outright this time and he could be challenged from within his own party in the next couple of weeks. Yet, whatever the outcome, the pattern is pretty clear: there will be another Irish Government condemned to rely on a majority of at best one or two maverick votes. On the face of it, that need not seem too bad. The ideological differences between the two main parties are not all that great: nor are the economic difficulties. Statistics showing a balance of payments deficit equivalent to 13 per cent of GDP and a treasury deficit equivalent to 17 per cent need to be seen in the context of what is still a small, developing economy. Ireland also has some compensating advantages such as rapid growth of output and productivity, and the absence of old industries—

though not always old labour practices. That is the brighter way of looking at it. The more pessimistic view is that Mr Haughey had the chance to do something about the economy before and did not, and that when Dr FitzGerald risked all on trying to do what he thought was right, he was unable to bring it off and found himself out of office.

**Finance Minister**  
On the assumption that Mr Haughey becomes Prime Minister again, much will depend on how bold he is prepared to be. On the one hand, he will be tempted to buy support in order to remain in power and that will not be easily compatible with raising taxes across the board. On the other hand, as most know in his head that it would be irresponsible to allow present economic trends to continue much longer. A key test will be the appointment of the Finance Minister. There are several able candidates available: Mr Martin O'Donoghue and Mr Michael O'Kennedy, freshly returned from the Brussels Commission, for example. What matters most, however, is that whoever gets the job should be allowed a free hand without having to look too much over his political shoulder.

Mr O'Donoghue's first reaction of Mr James Prior, the Secretary of State for Northern Ireland, to Dr FitzGerald's defeat will be one of some disappointment. Mr Prior is hoping to present his political initiative on Ulster before the end of next month and has been hoping that the outgoing Irish leader would use his influence on the Province's Catholic Social and Democratic Labour Party to accept it.

**Assembly**  
Yet it is worth remembering that when Mr Haughey was Prime Minister before, he was instrumental in improving Anglo-Irish relations and was capable of taking a radical approach to the Irish question. Mr Haughey may not like Mr Prior's idea of a new Northern Ireland assembly, but if it can be coupled in the longer term with the further development of relations between London and Dublin, there could be dialogue. As on Ulster, so on the Irish economy: it comes back to the need to be bold.

## A challenge for big investors

IT IS now generally accepted that the long-term decline of the UK economy cannot be blamed on its highly developed financial system. Whatever else it may have achieved, the Wilson Committee's report two years ago produced convincing arguments on this score. But an issue which has not been put to rest is whether the financial system in its present form can be expected to play a positive part in checking—and then reversing—the decline. A high proportion of the nation's savings is directed into pension funds and life insurance companies, institutions which should have long-term investment horizons. The question is whether they are doing all that they could to encourage and support those industrial companies in which, taken together, they often have a controlling interest.

**Monitor**  
The answer is that they are not—according to Sir Arthur Knight, who as a former chairman of both Courtalds and the National Enterprise Board has seen two sides of the problem. In a pamphlet published today, he argues that the investing institutions are not equipped to take a view on the long-term strategy of industrial companies. The suggestion is that their objectives are too short term, which in turn means that their interest in a company tends to be concentrated on its immediate financial outlook.

out to be cumbersome instruments and they could well be difficult to staff with people of sufficient quality. The past efforts of investing institutions to act together on anything but an ad hoc basis have not been too encouraging. But there is certainly a problem to be tackled. Companies need the spur of a strong proprietorial interest. Sometimes that can come from a large family shareholder. More often these days it takes the form of a determined holding company—often run by a tough entrepreneur with a big shareholding of his own—which monitors the performance of its different subsidiaries and allocates funds according to their prospects.

**Dialogue**  
But in too many large companies in the UK, managers are only responsible to each other. Unless they run into a financial crisis, they are free to bid for other businesses, pay dividends, raise new equity, and generally live in the style to which they have become accustomed. Even if the business starts to deteriorate, institutional shareholders are reluctant to intervene, feeling themselves ill-equipped to raise serious objections to board policies. Generally they are only willing to make their voices heard on relatively straightforward issues, like golden handshakes. The appealing feature of Sir Arthur's proposals is that they might encourage company managers to build a constructive relationship with their shareholders based on a proper understanding of the risks and rewards involved in each business. Such a dialogue would be of advantage to both parties. Managers would find it easier to plan ahead without having to look permanently over their shoulders at the daily movements of their share price, and shareholders would benefit from a more efficient use of their resources. Whether the idea of full time monitoring teams is appropriate is a matter for debate. If they are to be effective, they must have to come up with something better. When it comes to exercising the responsibilities of a proprietor, an annual lunchtime meeting is just not enough.

# Why Reagan may lose this time

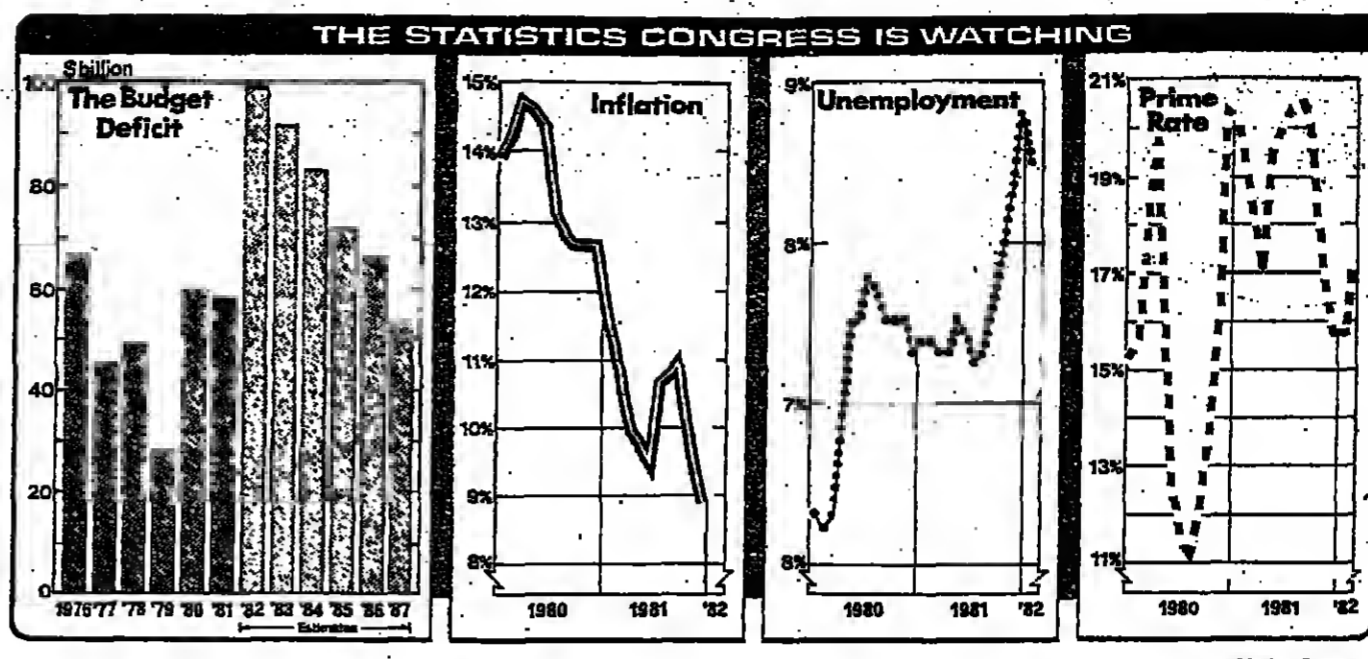
AFTER THE U.S. BUDGET

By Reginald Dale, U.S. Editor in Washington

**"THIS BUDGET** is not going to fly—anyone who believes that it will be nuts," Congressman Panetta, a Californian Democrat. "I have no questions for you, because, very frankly, I would not believe the answers you would give," Congressman David Obey (Democrat, Wisconsin) to Mr David Stockman, President Ronald Reagan's Budget Director, in the House Budget Committee. "Jonestown economics," a description of Mr Reagan's economic programme by Mr Lane Kirkland, president of the AFL-CIO labour federation, in a somewhat distasteful reference to the 1978 mass suicide by members of the People's Temple in Guyana.

Such comments called in the two weeks since President Reagan unveiled his proposed 1983 Budget, are representative of three fairly universal features of the economic debate that is now raging in Washington. The first is the belief that Mr Reagan has little or no hope of getting his Budget through Congress in anything like its present form. The second is the suspicion that the calculations it is founded on are, to say the least, suspect. The third is the growing bitterness that is entering into the whole debate about Reaganomics.

The reception so far accorded Mr Reagan's budget has ranged from lukewarm, if qualified, approval to outraged rejection. The word "disaster" has started cropping up in the headlines to describe it. And it is not just the Democrats who are sceptical. Many leading Republicans have confessed to a considerable degree of misgiving. Mr Reagan, nevertheless, remains convinced that it is only by sticking to his original budget policies of tax and spending cuts (except, of course, for defence) that he will steer the American



since warned against reading too much into the remark and stressed that it has seen no sign so far of anything remotely resembling such an alternative. Mr Reagan, it has been repeated over and over again, remains adamant that there shall be no serious interference with his defence budget or with his determination to keep his tax-cutting programme intact.

He would be unlikely, of course, to suggest willingness to compromise so soon after presenting his proposal to Congress. But there can be no doubting that he regards defence spending and tax cutting as the twin centre-pieces of his budget—regardless of the views of many economists inside and outside the Government that the two are mutually incompatible. He is totally unrepentant about his plans to increase defence's share of the budget from its present 24 per cent to well over 30 per cent in the years ahead, pointing out that even if defence rises from 5 per cent to 7 per cent of GNP that is still low by the standards of the 1950s and 1960s. It will help if recovery gets under way, accompanied by falling inflation and interest rates, a development that Mr Reagan came near to guaranteeing he would achieve—in co-operation with Mr Paul Volcker, the chairman of the Federal Reserve—at his press conference last Thursday. But, with many senior members of the Administration unhappy over Mr Volcker's sometimes erratic control of the money supply, it is not as clear how close that co-operation will be.

Over the past 12 months, the official forecasts have constantly predicted recovery too soon, only to be revised later. Last week, Mr Stockman actually mentioned the possibility of the upturn not arriving until the autumn, the latest date so far mentioned by anyone in the Administration. The official forecast for the late-off remains

mer recession he had scored smashing congressional victories to secure a record \$36bn in spending cuts out of the \$41bn he had demanded and most of the tax cuts—25 per cent over 2½ years, against 30 per cent over three. There is a good deal of truth in this. It is also true, however, that today's political and economic circumstances are vastly different from those that existed 12 months ago. This time last year, the Republicans were still basking in Mr Reagan's triumphal victory in the November 1980 presidential elections and determined to demonstrate the unity needed to implement his policies. Most of them believed that the Reagan medicine would work and work quickly, or were, at least prepared to give it a try. A sufficient number of Democrats felt the same way.

This year, many of those who marched unquestioningly through the voting lobbies with Mr Reagan there are no longer able to suppress nagging doubts. The recession has persisted much longer than the Administration ever contemplated, and has yet to reach its trough. Unemployment is near its post-war record as are real interest rates. Mr Reagan has long since admitted that there is no way he can fulfil his campaign promise of a balanced budget by 1984 and instead is proposing a series of huge, if declining, deficits as far as the eye can see into the future. Wall Street is depressed and jittery, not only about the implications of the deficits for interest rates but also about the effects of the recession on business and profits.

The only good news has been on the inflation front, where the consumer price index increase fell to an annual rate of 8.9 per cent in December. But even that was largely due to the recession, and paradoxically, the faster that expected drop in inflation has thrown the Administration's budget

deficit calculations a long way out the wrong way. It is becoming increasingly difficult for the Administration to counter the charge that it is Mr Reagan's policies, not the bang-over from President Carter, that have brought the country to this situation—the "Reagan recession," the Democrats now call it. That would matter less to Mr Reagan were it not for the fact that 1982 is an election year.

Again, unlike last year, the Republicans are increasingly divided. A few days ago, Senator Jake Garn of Utah laid into "glibless" fellow Republicans whom, he said, were abandoning their own philosophy in opposing Mr Reagan's policies. But many other Republicans are appalled at the way Mr Reagan appears to be abandoning traditional Republican dogma by proposing such huge

deficits, and regret that he rejected the recommendation of most of his closest advisers to raise taxes in 1983. Even if Mr Reagan succeeds in his aim of "holding" the deficit to \$91.5bn in 1983, the figure is still totally unacceptable to many in the Republican Party. But there is considerable doubt that his present budget plans will even do that. There is scepticism in many quarters over the Administration's optimistic forecast of 5.2 per cent economic growth in calendar 1983, and more specifically over his \$56bn deficit reduction programme. In all these circumstances it is hardly surprising that a number of Congressmen, and others, have already started coming up with their own alternative budget proposals, many of which, at least on the Democratic side, would cut quite sharply into the growth of defence spending. Mr Tip O'Neill, the Democratic Speaker of the House of Representatives,

has already promised a frontal attack on the defence budget when the Reagan proposals reach the House floor. First of the mark was Senator Fritz Hollings, a centrist Democrat from South Carolina, who proposed a freeze on all spending at 1982 levels—including defence spending, which would then be limited to real growth of 3 per cent in each of the next two years. His proposal, designed to achieve a \$4bn surplus in fiscal 1983, was immediately described as "intriguing" by Senator Howard Baker, the Republican majority leader in the Senate, one of the men whose job it will be to steer the Administration's budget through the legislative process. The Hollings plan is most unlikely to "fly," but it has at least broadened the area of debate.

Other proposals have included increases in defence spending somewhere between Mr Hollings's freeze and Mr Reagan's 18 per cent rise. Increased excise taxes and the postponement or reduction of the two further 10 per cent cuts in individual income tax due in this July and the following July. The AFL-CIO under Lane Kirkland, traditionally keen on defence spending for the jobs it provides, last week suggested that Mr Reagan was going for too big an increase and proposed that any rise in defence spending that might be necessary should be financed through a new progressive tax on companies and individuals. The question is whether Mr Reagan will be prepared to compromise—or, as many suspect, allow his arm to be twisted by Congress. Members of the House Budget Committee last week thought they detected signs of flexibility when Mr Stockman told them that the President would "look hard at a good-faith effort" by Congress to come up with an alternative. But the White House has

late spring or early summer. Private economists agree that the "upturn" will indeed materialise, but doubt that it will prove as strong as the Administration expects. Dr Alan Greenspan of Townsend Greenspan, for example, believes the Administration's 5.2 per cent growth forecast for next year should be more like 4 per cent. Many economists fear a return to higher inflation and interest rates as activity picks up. If those fears prove justified, it will make the Republicans facing re-election even more edgy as November draws closer—regardless of whether Mr Reagan's budget rises or drops.

The word 'disaster' has started cropping up in the headlines and many leading Republicans have confessed to a considerable degree of unease

Cuts would carve deep into social programmes

The only good news has been on the inflation front

## Men & Matters

### Culture vultures

Sad news from the industrial front for the culture and Beaujolais set. Michael Foyle's discovery of the Shy's Wine & Pickery line at Foyle's may be just another early symptom of an outbreak which could grow to epidemic proportions. The Foyle's battle centres around the right to union membership, but spotlight once again that warren of the book-world's idiosyncratic approach to employment. By recruiting its staff largely on a temporary basis is not only preserves that refreshing Foyle's attribute of the customers often knowing more about the stock than the employees but also casts a neat detour around irritating labour legislation.

However, there may be more to this than a simple tale of workers and Rights. It does not require a long memory among the local Vno crowd to recall that Tutton, one of Covent Garden's trendier scrubbed-table wine bars, also felt the force of union recruiters recently. Somewhat further away, geographically if not gastronomically, Bernard Matthews has found his stately home-cum-turkey co-op in Norton (the unlikely target of a union siege). Now, as if it were not bad enough to be faced with a strike on his 88th birthday, Sir Harold Macmillan's family group, Macmillan publishers, is faced with guerrilla action from its journalists ("our average salary was £8,100. A typical member has a degree and three years' experience"), which potentially delays publication of books and therefore may throw the rarely aware staff of Foyle's into even greater confusion.

Word from my man on the picket lines is that this is all part of a general campaign among the unions. With members slipping away into the dole queues elsewhere, recruiters are being urged to turn their attentions to the soft under-belly of our society—the wine drinking,

and probably the busiest, de luxe property in London. But "We have a better location and we'll be a better hotel," says Hyatt unwrapping his cheque book. You can judge the cost of battle in this league of bed and board by the fact that Trafalgar House's own revamp of the Ritz—its in places future of hotels—is in places like this—is down to the last few traces of scaffolding and cost £8m. It has now recruited a new maître chef des cuisines in the rotund shape of 35-year-old Michael Quinn. The Quinn background, which includes running the culinary side of the Bear at Woodstock and the Graveyard Manor, is almost as impressive as his declared ambition to be Britain's best cook.

This elevated view of culinary life is par for a course in a business where modesty is rarely regarded as an asset. He has, after all, to take on the Dorchester's equally youthful Anton Mosimann, whose kitchens are now surrounded by a £10m refurbished hotel and whose face is a regular feature of the weekend colour magazines.

If the Mosimann-Quinn rivalry continues, Michelin might just as well set up a permanent Mayfair inspection office, for the apex that both might wish to attain is currently dominated by neighbour Albert Roux at his three-rouxita Gerroche.

**Room service**  
The London hotel front is always good for a bit of cut and thrust rivalry. Its star players move as frequently from team to team as soccer forwards and the figures involved are sometimes almost as daunting. The two battles to watch at the moment are the Carlton Tower (now under new management, Hyatt) v. the Inn on the Park (the Canadian Four Seasons group) and Middle Eastern-owned Dorchester and that glittering star of the Trafalgar House stable, the Ritz. Apart from agonising over the future of the Topoliski murals which Hyatt intends stripping from the walls of the Carlton Tower's gilded foyer, the U.S. group has predatory aims on the custom that flows to the Inn. The Maple leafing neighbour of the Hilton is the most expen-

sive, and probably the busiest, de luxe property in London. But "We have a better location and we'll be a better hotel," says Hyatt unwrapping his cheque book. You can judge the cost of battle in this league of bed and board by the fact that Trafalgar House's own revamp of the Ritz—its in places future of hotels—is in places like this—is down to the last few traces of scaffolding and cost £8m. It has now recruited a new maître chef des cuisines in the rotund shape of 35-year-old Michael Quinn. The Quinn background, which includes running the culinary side of the Bear at Woodstock and the Graveyard Manor, is almost as impressive as his declared ambition to be Britain's best cook.

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**Music makers**  
Why, you may ask, are so many members of the Royal Philharmonic Orchestra, whistling to themselves through gritted teeth these days? Answer: Because success is a double-edged sword. It was bad enough when the RPO's album, Hooked on Classics, took its insistent disco rhythms to the top of the British pop charts. Now, however, it has managed the long

ascend to the peak of the American album lists—a triumph which any rock group would give several locks of fluorescent hair to emulate. But, as yet, the financial return has been slim. It all began with a phone call to the orchestra's financial guardian, Archie Newman, last summer. Was the RPO available to do a three-hour pop session? No British orchestra can turn down work these days and the RPO, which has been recording with rock groups since 1967, leapt at the chance. Some 62 musicians were assembled and told they were to record disco-style classics.

The single went to No. Two in the British charts and the 3m copies world-wide. Then, as far as this records themselves are concerned, the news is not good. The RPO did the recordings for the standard fee—£40 a session for each player, plus a 15 per cent management fee for the orchestra. There was no point in asking for royalties; another orchestra would have jumped at the chance of session work. But, the ever-optimistic Newman tells me, he has hopes. Perhaps K&T will show its appreciation of the U.S. triumph by giving the RPO a little bonus. The £30,000 needed to clear its 1980-81 overdraft would do nicely.

**Bad form**  
Shocked by the abuse being poured on officialsdom for its incomprehensible forms and reports, this column wishes to redress the balance. Form fillers can also err. I turn to my old friends the Civil and Public Services Association for an example. Question on form: "Does the course involve any paid practical training, e.g. sandwich course?" Answer: "No, he comes home for his dinners."

# Why not belong to Glasgow?

Lots of people do. The coal board pension fund, Norwich Union, Land Securities, the Viking Property Group, Commonwealth Holiday Inns are just some of the big names who have invested millions in the city. They've all found Glasgow a successful and profitable base for their operations: First class transport and communications, special development area status and an established banking and financial community combine to make Glasgow the perfect centre for investment.

Form for Glasgow City Council, Sun Life House, 110 West Regent Street, Glasgow G2 2RW. Fields include Name, Position, Nature of Business, Company, Address, Tel No.

# FINANCIAL TIMES SURVEY

Monday February 22 1982



# CANADA

A constitutional row is all but settled. Economic nationalism is in retreat to soothe foreign investors. But regional tensions and steep business setbacks pose pressing problems for policy makers.

## Struggle for unity and power

BY W. L. LUETKENS

CANADA is North America with a European accent for better or for worse. The open spaces of much of the countryside are "America," as are the towering blocks of the big cities, the climatic lurches from arid summer to sub-arctic winter, the technology of this vast but sparsely populated country, and the practices of private business.

Europe is the source of Canada's tradition of law and order, originally imposed by the British Crown and never broken by anything like the American Revolution. Europe has given it the always nagging and sometimes acute friction between an English-speaking majority in the population and a French minority. A long-established tradition of government direction of the economy is European in origin, as are the often obstreperous trade unions. Canada even has a social democratic party, the New Democratic Party, which is well represented in the Federal Parliament and provides the governments of two of the 10 provinces.

The will to hold together this separate and yet so diverse part of North America explains much of the recent upheavals in Canadian politics: the bitter fight against separatism in French-speaking Quebec; the prolonged campaign of Mr Pierre Trudeau, the Prime

Minister, to give Canada mastery over its own constitution; the nationalist lunge to win control of the largely American-owned oil and gas industry, one of the country's main economic assets. Victory is in sight for Mr Trudeau in the constitutional battle. Nine of the 10 provinces have approved his plans, the Supreme Court in Ottawa has upheld their legality, and what opposition there was at Westminster is likely to crumble. Failing the unexpected, the British Parliament will this year repeal its right—a left-over from colonial days—to be the final arbiter of constitutional amendments in Canada.

### Future changes

A formula has been devised by which future changes can be made in concert by the Parliament in Ottawa and a majority of the provincial legislatures. Since Westminster has for generations not acted against Canadian wishes, the

change may be more symbolic than of immediate practical significance. But it is of such symbols that national identities are made.

Mr Trudeau may have paid a heavy price. The Quebec Government of Mr Rene Levesque was outraged by his reform and more particularly by finding itself abandoned by the other English-speaking provinces which at first seemed to go along with Quebec's opposition to the centralising elements in the constitutional package.

What hurt especially were two provisions. If Quebec (or any other province) makes use of its right to "opt out" of any federal economic programmes adopted by constitutional amendment, it will not be afforded financial compensation enabling it to do something similar in its own way. In addition, the Charter (or Bill) of Rights forming part of the package guarantees the children of Canadians the right to education in either English or French, whichever is their parents' language. Quebec's own language law wants to restrict that right to the children of English-speaking Quebecers in order to ensure the primacy of French in the province.

Most serious of all, in the heated debates while the package was put together, Quebec lost the right to veto future constitutional change which Mr Trudeau had originally intended to concede. Mr Levesque is trying to retrieve that position in the courts, falling back on the argument that Canada was born of a contract between the English and French in the 18th century.

The case is almost sure to go to the Supreme Court. Judging by a previous Supreme Court judgment in the constitutional

argument, Mr Levesque is unlikely to win there unless his lawyers can find new arguments.

In Quebec the out-mansouring of Mr Levesque has produced an outburst from the separatist minority which severely shook Mr Levesque's Parti Quebecois (PQ). As it is, the PQ Government is in quite enough trouble because of the recession and because the cost of an overblown bureaucracy has raised personal taxes to the highest levels in Canada. But even if the PQ were to be eclipsed, as Mr Trudeau certainly hopes, Quebec nationalism would survive in another form.

Anglo-French tensions are a built-in part of the Canadian system. The historic pattern has been for Quebec always to push for the greatest possible degree of say in its own affairs. But the economic argument for remaining within Canada has always prevailed and has been reinforced by the recession. In spite of plentiful hydro-electric resources, Quebec would find it

hard to maintain a North American standard of living.

Quebec nationalism is not the only strain on Canadian unity. The Atlantic provinces, with their dependence on fishing and forestry, have more in common with America's New England States than with far-away Vancouver. Toronto has more in common with Chicago than with the grain farmers of the prairies. Brash Albert, growing rich on oil and gas, is often at loggerheads with the manufacturing provinces of Ontario and Quebec which grow under the higher prices for energy.

Policy makers in Ottawa are afraid that market forces, left to themselves, would tear the country apart. Hence the tradition of economic nationalism and intervention. In its original 19th century form it amounted to tariff protection behind which a domestic but increasingly American-owned manufacturing base was created.

The fear of being dominated by Canada's powerful southern neighbour and the tearing down

of tariff walls by the Gatt have cut the ground from under that policy. The new economic nationalism consists of carefully screening new foreign direct investment and of an assault on foreign ownership of gas and oil.

A succession of rows with Washington have been the inevitable consequence, but foreign investors elsewhere are unhappy too, though less vocal, about Canadian economic nationalism. The analysis underlying the programme to "Canadianise" the oil industry as well as a new industrial strategy being worked out in Ottawa is that the country is sufficiently rich in resources to shoulder a growing burden of international debt contracted to develop them.

### Huge sums

The sums involved are immense. A task force in Ottawa has identified projects costing altogether C\$440bn (about £197bn) which could be taken in hand this century.

Here there is a distinct shift of emphasis from an attitude common in the 1960s and 1970s, that Canada must broaden its manufacturing base so as to cease being a country of "hewers of wood and drawers of water."

The new assumption is that the resource base is broader than thought. Finds of hydrocarbons in the North and off the Atlantic shore bear that out. So does the realisation that improved methods of forest management could permit a vast expansion of the lumber, pulp and paper industry, and that more efficient railways and port facilities would make possible an increase of Canadian grain output by about a third. At present there are no facilities to bring such extra quantities to market.

Such a new strategy, complemented by the encouragement of capital-intensive high technology, would fit in with the prospective reduced rate by which the population of working age is growing. It would also increase Canadian vulnerability to the vagaries of world markets.

That vulnerability is high enough already. The country has been dragged into the American witches' brew of recession and high interest rates. Business investment plans have shelved or steeply this year and unemployment, already high, will climb above 8 per cent.

Because they are giving priority to the fight against inflation, which pushed up consumer prices by 12.5 per cent last year, neither the Government nor the Bank of Canada has shown any willingness to abandon an increasingly restrictive financial policy and stringent monetary management. Any relaxation, they fear would cause a run on the Canadian dollar. The unanimous pleas of the provincial premiers, Mr

### CANADA IN PERSPECTIVE

Area	
● CANADA	10m sq km (3.9m square miles)
U.S.	34.7m sq km (13.4m square miles)
UK	244,000 sq km (94,200 square miles)
West Germany	249,000 sq km (96,000 square miles)
Population	
● CANADA	23.9m
U.S.	227.6m
UK	55.9m
West Germany	61.6m
GNP per head (in U.S.\$, 1980)	
● CANADA	10,293
U.S.	11,536
UK	9,287
West Germany	13,383
Canadian dollar Exchange rates:	
CSI	about U.S.\$0.83, £0.43, DM 1.96.

Levesque included, for refutation should not obscure the fact that their interests vary greatly. The new industrial strategy is bound to bring that out. Its shift towards resource development would accelerate the drift of economic power from central Canada to the West, because that is where most of the resources are.

That drift could produce strains within federation quite different from the historic Anglo-French frictions. It could also help by fighting what Canada's West has always considered to be a lopsided distribution of influence.

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● This survey was written by W. L. Luetkens and Roderick Oram in Toronto; with Robert Gibbins in Montreal; Roger Newman in Winnipeg; Jim Eusk in Ottawa; Jeff Sallot in Edmonton; Lyndon Watkins in Halifax; W. A. Wilson in Ottawa; Michael Donne and Roy Hodson. Editorial production: Mike Whitshire; design, Philip Hunt.



## Canada's investment in purity.

When assessing the true value of a gold investment, consider the question of purity. Gold bullion coins containing alloys like copper are lower in fineness. And these gold coins struck with alloys would incur additional cost if refined for bullion. On the other hand the Canadian Gold Maple Leaf coin is exactly one troy ounce of solid unalloyed gold, 999 fine. In fact its purity is finer than more commonly known coins. The recognized

fineness of the Gold Maple Leaf has contributed substantially to its wide acceptance among knowledgeable investors, who also know it can be bought and sold easily. With the Gold Maple Leaf, you know the true value of your investment daily, based on the world gold price published in your newspaper. To buy the Canadian Gold Maple Leaf, call your nearest bank, brokerage house or coin dealer.

Canada's Gold Maple Leaf. An investment in purity.

Canada

Bank of Canada Monnaie royale canadienne

In the 80s, the general uncertainty surrounding energy supplies is causing a fundamental shift in the pattern of development in North America, particularly in Canada.

Increasingly, this involves moving raw materials and skilled labour to regions where energy is available, rather than the other way around. As a result, a utility like B.C. Hydro, with a demonstrable ability to provide energy, becomes an increasingly attractive investment.

And British Columbia has extensive hydro-electric potential as yet untapped.

B.C. Hydro is Canada's 3rd largest electric utility and 5th largest corporation, and the 14th largest utility on the continent. We are a crown corporation with a mandate from the provincial government of British Columbia to supply electricity and natural gas to our customers at the lowest possible cost consistent with sound financial principles and business practices.

Our various bond issues are guaranteed by the Government of British Columbia which is itself supported by a very healthy economy based on forestry, mining and secondary industry.

These bonds have triple-A ratings from Standard & Poor's and Moody's.

Also, we have a mandate to achieve an interest coverage of 1.3 to 1 by fiscal 1983/84.

To meet the demands of a growing population and a rapidly expanding industrial base, B.C. Hydro is currently constructing one major new hydroelectric project and has others at various stages of planning.

Raising our installed nameplate capacity from 9 million kW to 12 million kW, these planned projects represent a \$26.5 billion investment over the next 10 years.

And a very sound investment it is.

## In British Columbia, B.C. Hydro turns white water into blue chips.



BC Hydro

# CANADA II

W. L. Luetkens explains why the country's progress remains uncertain this year

## U.S. shadow looms over economy

THE CANADIAN economy is uncomfortably doing the splits, poised between a dismal present and a bright though not fully assured future.

The present is one of uncomfortably high unemployment, inflation and interest rates, and of evident structural maladjustments in the manufacturing industries of Ontario and Quebec.

The present difficulties of the economy are the direct result of the world economic climate and especially of the U.S. recession which split over into Canada with a vengeance half way through last year. They have been aggravated by Canada's belated adjustment to the surge of energy prices in the world during the 1970s.

Price increases which many other industrialised countries absorbed earlier are feeding through the Canadian system at a particularly uncomfortable moment. The consumer price index rose by 12.5 per cent last year and a further rise of 11-12 per cent is forecast for 1982. The impact on Canadian manufacturers, with their close ties to the U.S. market, was worsened by last year's substantially lower U.S. inflation rate of 8 per cent. That gap is unlikely to narrow much if at all this year.

To counter the trend the Bank of Canada has for several years been following a restrictive monetary policy. To some extent that makes it the prisoner of U.S. interest rates. Unless Canadian rates, and especially short-term rates, are kept above those in the U.S., Canada, with a structural current account deficit, would face a run on its currency releasing further inflationary pressures. It is estimated that

every percentage point by which the Canadian dollar drops against the U.S. dollar quickly adds about 0.4 per cent to Canadian living costs.

To restrain inflation, fiscal policy at Ottawa has been shifting to a tighter rein. In spite of many blemishes on it, economists by and large approved of the trend of the federal budget introduced last November. The medium-term objective is to reduce net borrowing requirements from C\$10.1bn (about £4.5bn) in 1980/81 to C\$6.4bn in 1985/86.

In the current year top personal marginal tax rates are to be brought down substantially as an encouragement to saving and investment, though the Finance Minister, Mr Allan Rock, has taken away with one hand much of what he has given with the other; a number of tax exemptions are to be reduced or abolished. The measures were ill thought out and caused a political storm.

What hurts more is the unemployment rate, which averaged 7.5 per cent in 1981 and is expected to go above 8 per cent this year, and the high real interest rates. The monetary policy of Mr Gerald Bouey, Governor of the Bank of Canada, has come under almost unanimous attack from the opposition, from manufacturers, and also from the 10 provincial premiers. It has also caused some dissension in the government party.

Among these groups the view is widespread that Canada should cut adrift from U.S. interest policies, courting a decline of the exchange rate. The last decline, begun in 1976, which brought the Canadian dollar from around par with the U.S. currency to somewhere

between U.S. cents 80-85, was generally agreed to have been beneficial. But Mr Bouey, apparently with the support of the Trudeau Government, is adamant that a further devaluation would only add to inflationary pressures.

There are good reasons for saying so. Canada has a structural merchandise trade surplus, which came to C\$6.5bn in 1981, though the current account is likely to have been in deficit to the amount of C\$7.5bn. Interest paid on Canada's large foreign debt is a major element in that deficit. Since most of the debt is denominated in U.S. dollars a decline of the Canadian dollar automatically would increase the cost of debt service.

Exchange controls are occasionally discussed in an academic sort of fashion, but are not really considered to be practicable in a country as closely linked with the U.S. The border would prove porous, as the saying goes.

Controls of another kind, however, are less of a non-starter. Wage and price controls were in force in 1975-78. Labour hated

them but some policy-makers in Ottawa believe that the experiment was not entirely useless. Many commentators expect to see a reversion to controls this year, though at this juncture there appears to be little official inclination to go down that road.

Ottawa's immediate strategy appears to be to get through the recession as best as possible using present policies, with hints of an expansionary mini-budget later this year if the hoped-for U.S. revival does not come about.

### Resources

Long-term strategy is to bank on the country's resource base complemented by incentives to high technology industries. The implication is that the traditional manufacturing industries will largely have to fend for themselves. In practice, however, they have benefited from several rescue operations.

A recent Government policy paper spoke of C\$44bn of these so-called megaprojects in prospect by the end of this cen-

try. The figure is huge but ought to be seen in perspective. Total business investment topped the C\$50bn mark last year alone. Nevertheless, not all of these projects are likely to be realised; both money and skilled labour will be in insufficient supply.

Coupled with the Government's intention to reduce foreign ownership in the Canadian oil industry and a critical attitude towards foreign direct investment in general, the strategy adopted in Ottawa implies an acceleration of trend already established—to finance industrial development by foreign borrowing rather than by importing venture capital.

Traditionally Canada is a net importer of long-term capital. Between 1970 and 1980 the annual net inflows varied between C\$628m and C\$42bn. But in the mid-1970s the emphasis shifted heavily towards fixed interest borrowing.

The previous net inflow of direct investment was reversed, with net outflows under this head of C\$2.2bn in 1980

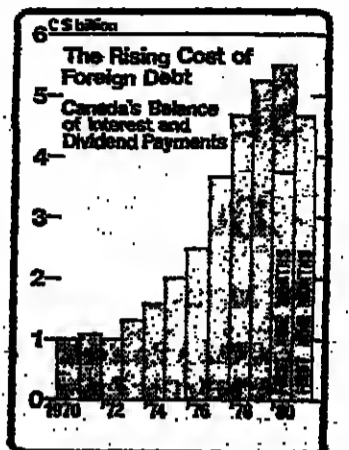
alone. Several causes were at work, among them the more attractive business prospects in the U.S. but also the carping official Canadian attitude towards foreign ventures.

The underlying assumption of the new industrial strategy is that in the long run raw material prices, and especially those for energy, will rise in real terms shifting terms of trade in Canada's favour.

Two dangers are obvious; that the assumption may not be justified and that a reliance on imports of raw materials with little added value will wreck

manufacturing. A prominent member of the New Democratic Party, Mr Bob Rae, speaks of Canada catching "Dutch disease".

Even in the medium term Ottawa is betting heavily on the oil price. If it remains soft beyond the end of this year, energy revenues may not reach the expected levels and make a nonsense of Mr MacEachen's budget projections. This year, too, slow growth may cause revenue to fall short of expectations. It all adds up to a difficult 1982 and a lot of question marks for the more distant future.



## Trudeau: the man with a mission

MR PIERRE TRUDEAU, Prime Minister of Canada since 1980 with less than one year's intermission, is tantalisingly within sight of the achievement of one of his two major political ambitions—to abolish the right of the British Parliament to amend Canada's constitutional regime, lodging it instead firmly in Canadian hands.

The necessary political process has been completed in Canada though final approval in Westminster is still outstanding. But the manner in which this has been achieved raises questions about Mr Trudeau's second ambition—the one for which he went into federal politics. That ambition is to hold together a nation where a minority of one-fifth, almost entirely concentrated in Quebec, speaks French and has long pursued resentments—often returned—against the English-speaking majority.

When Mr Trudeau after a long struggle swung a majority of the 10 Canadian provinces behind his constitutional plans late last year, Quebec was left isolated. The implications for the province itself are dealt with elsewhere in this survey, but the 9:1 line-up once again conjured up the danger

of a widening of the Anglo-French split.

That is not bow Mr Trudeau's advisers profess to see it. To them the Quebec Government of Mr René Lévesque gambled on stopping the constitutional proposals with the support of other provinces which feared their centralising implications and lost. In the process Quebec also lost its veto on future constitutional change which Mr Trudeau had built into his initial proposals.

There is much to be said for the reading that Quebec's defeat has seriously hurt the Parti quebécois. But that does not remove existing animosities. The Quebec problem is one that Canada will have to live with for years to come. To say so brings one to the most discussed question in Canadian politics: how much longer will Mr Trudeau remain at the helm?

Without doubt he sincerely wishes to get back to private life with more time for the children of his broken marriage. But he has enjoyed political power and moreover is a man with a sense of mission to hold Canada together. His descent from an English-speaking mother and a French-speaking

father commit him to that.

Bread-and-butter issues in a country of lacklustre economic performance in the past few years outweigh the constitutional success in the minds of many members of Mr Trudeau's Liberal Party. Though the Prime Minister remains easily the most popular politician in the country (and Mr. Turner, some quarters the most hated), his party, two years after its clean victory in a General Election, has slipped in the polls to second place behind the Progressive Conservatives.

Many names have been bandied about in discussing the possible successor once Mr Trudeau decides to go but no hats have been thrown into the ring. Mr Allen MacEachen, Minister of Finance, who is thought to be part of the Liberals' Left-wing in spite of his financially orthodox budget of last November, looked a possible successor but was made to look bad by some sloppy detail in that budget.

### Confidence

Mr Jean Chrétien, Minister of Justice, who oozes confidence since piloting the constitutional proposals through the Canadian Parliament, would break the traditional pattern by which the Liberals alternate between a French and an English leader.

Mr Chrétien (a political profile of whom appears elsewhere in this survey) is very much a Trudeau man. Oddy enough even some of his fellow MPs from Quebec would be un- easy if he were to succeed. To allow one French leader to follow another might, in the end, open the way to an unbroken line of English speakers. If the Liberals have at least potential problems of leadership, the leadership problems of the Progressive Conservatives, the

main opposition party, are acute. Mr Joe Clark, an amiable but luckless Prime Minister in 1979/80, is constantly fending off moves to call an immediate party conference where his opponents would try to ditch him. When the Parliament reassembled in January the idea was shelved. It could revive at any moment.

What are the implications for the outside world? Mr Trudeau is a known but not always predictable quantity. He has in the past described himself as a social democrat but has a profoundly conservative streak. His opponents in the New Democratic Party, the second largest opposition group, jibe that the social democrat comes out at election times, the conservative when Mr Trudeau is governing.

But though he has tackled Mr Trudeau's government have taken the country towards a greater measure of intervention in the economy and towards more stringent restraints on direct foreign investment. Energy policy is the main case in point. There are other instances, even though the wind has shifted a bit, not least because the Reagan Administration in Washington has taken umbrage at what it considers discrimination against American business.

Given what is known about the two men, not to mention the realities of power in North America, neither Mr MacEachen nor Mr Chrétien is especially likely to change that mould greatly, should either be called to power. Whether they would share Mr Trudeau's idealistic if not very effectual support for the Third World is another question.

But in any case the unknown factor in the succession race, once it comes, is what Canadian

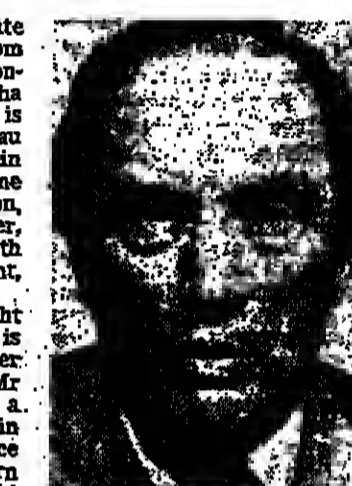
scoffers like to call the White Knight: a popular figure whom the Liberal power brokers conjure from a hat to dazzle the electorate when the party is in dire straits. Mr Trudeau himself was one such when in the 1960s he then Prime Minister, Mr Lester Pearson, called the bright young lawyer, who had little in common with the Canadian establishment, into federal politics.

The potential White Knight most frequently talked about is Mr John Turner, a suave former Finance Minister of Mr Trudeau's, who has gone into a profitable law practice in Toronto. There is no evidence that Mr Turner wants to return to Ottawa politics but if he did he would be the darling of the Canadian business community.

### Alternative

An English-speaking alternative to Mr Trudeau might improve the Liberal's standing in the West (which means everything west of Ontario) where his supposed coddling of French Canadians (though not of Quebec separatists) has never gone down well. But Canadian federal elections are lost and won in central Canada, meaning the manufacturing provinces of Ontario and Quebec, and in particular the former.

The long-term strategy in Ottawa is to meet the economic challenges by building on Canada's considerable raw material base, involving a whole series of so-called megaprojects to develop mainly energy resources. These by their very size call for a considerable role by the government, opening up an avenue for dirigiste policies. In the long run that could even create a basis for an alignment between Trudeau-style libera-



Pierre Trudeau: two major political ambitions

lism and the social democratic New Democratic Party, perennial number three in federal politics.

That is not an immediate prospect, or one for the next election two or three years away. When it comes—always provided the Progressive Conservatives do not tear themselves apart in a leadership squabble—the Liberals may well need a White Knight. Ironically, because of his personal calibre and because of his prestige in Quebec, heartland of Liberal strength in federal elections, that White Knight might be the conservative social democrat with a liking for power, Mr Trudeau. Only mythological knights have a way of disappearing into the blue yonder. If the Trudeau prevails, who wants to get back to private life, he might decide to go as soon as his constitutional reform is enacted.

W. L. L.

NATIONAL ACCOUNT	1979	1980	1981*	1982†
GNP	282.2	289.9	326.8	364.2
Real change (%)	+3.0	—	+2.7	+0.6
<b>BUSINESS</b>				
Business investment plant and equipment	39.1	46.7	54.3	60.0
Real change (%)	12.1	8.6	5.4	0.2
Corporate pre-tax profits	34.9	37.2	34.7	34.4
<b>EXTERNAL PAYMENTS</b>				
Merchandise exports	65.3	76.2	83.9	91.5
Merchandise imports	61.1	68.4	77.4	84.2
Merchandise surplus	4.2	7.8	6.5	7.3
Current account	-5.6	-3.2	-7.3	-9.3
<b>JOBS AND PRICES</b>				
Unemployment rate (%)	7.5	7.5	7.5	8.2
Consumer prices (%) change	+9.1	+10.1	+12.5	+11.7

\* Estimate. † Forecast.  
Source: Toronto-Dominion Bank, Economic Research Department.

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## Chartered banks face difficult problems of management Critical look at capital ratios

A SLOWDOWN in the rapid growth of the Canadian chartered banks is in prospect for prudential reasons. Loan losses are on the increase, risks are growing both in domestic and in foreign business, and the Inspector General of Banks in Ottawa, Mr W. A. Kennett, has taken a critical look at capital ratios.

For the banks this combination will raise difficult problems of management since asset growth has been the main source of higher profits for a number of years.

In 1980-81 aggregate assets leaped by 30 per cent to C\$350.1bn (about £160bn). Results were further helped by an improvement of the return on assets of the more important banks to 0.57 per cent, slightly above the long-term average, from a distinctly poor 0.51 per cent in 1979-80. The improvement was brought about both by widening spreads and by containing non-interest costs.

But the banks' capital has not kept pace over the years with the growth of their balance sheets. In 1970 total assets amounted to 22 times capital (defined as shareholders' equity plus reserves plus general provisions); that ratio is now up to 33. The regulatory authority would like it squeezed down to 30, though a lot of detail remains to be settled before something definite emerges.

The banks themselves have already taken action and in 1981 there was a scramble for equity and similar capital. Altogether some C\$2bn was raised. The trouble was that a portion of this money was subscribed not in ordinary shares or permanent preferred shares, but by a variety of instruments such as retractable preferred shares which the holder at some

future date may cash in. Bankers are pressing the Inspector General to give capital status to retractable preferreds as well as bank debentures, possibly at a rate declining as they approach the date when they may be cashed in or have to be redeemed.

### Consensus

Both sides have hopes of a consensus being reached, but for the regulator it is a different decision. Not only does he have to look at the prudential side; the international competitiveness of the Canadian banks is also at stake. International comparisons in this area are fiendishly difficult because accounting standards and business practice differ from country to country. But a study made by Gardiner Watson, a Toronto brokerage house, comes to the conclusion that the gearing of the big Canadian banks places them comfortably in the middle. Japanese capital ratios are in the 40s, the Swiss are held to a ratio of 12.

The fact remains that to maintain their position, while continuing to grow at the accustomed rate, the Canadian banks would require more new capital than the market is likely to yield in the next few years. Hence the prospect of slower growth.

That constraint may not be entirely unwelcome in the executive offices because the risks involved in expanding loan portfolios are increasing at home and abroad. Poland may be the most obvious danger point, though the Canadian banks are not especially heavily involved. Their claims on Poland are estimated at C\$400m-425m, a small amount in relation to

their total assets. But there are some problems closer to home. The difficulties of the Canadian motor and agricultural machinery industries have received wide publicity. Looking behind them, there are potential difficulties for the oil industry. The wave of takeovers released by the Canadian National Energy Program, with its objective of reducing foreign ownership of that industry, has left several banks heavily exposed to the vagaries of a highly speculative business.

On top of that there is the impact of current high interest rates on farmers and small businesses; the latter an area where the danger of loan losses is likely to increase this year. As it is, the estimate of aggregate loan losses of C\$850m in 1980-81 (a figure not identical with general loan loss provisions which are assessed on the basis of a five-year average) is high enough.

Given imponderables of this kind, the improvement of the banks' return on assets in 1980-1981 was an important event since it can be argued that profitability is at least as important an element in prudent management as the arithmetic of capital ratios. The improvement resulted largely from the steep rise of interest rates, which had a more rapid impact on revenues than on the cost of funds for nearly all the chartered banks.

But the combination of record profits and high interest rates did cause public relations problems for the banking community. There have been occasional calls for a windfall tax, though it did not come in the budget tabled last November and the Department of Finance appears to be set against the

idea. High mortgage rates have caused a public outcry and some banks have offered to convert mortgages contracted when mortgage rates were at their peak.

These were concessions not only to a sort of rough justice but also to public opinion. Banks are not especially popular in most countries, and in Canada there is a time-honoured tradition of bank bashing. One of the reasons is the very bigness of the banks. Like their UK counterparts, the Big Five chartered banks are multi-branch wholesale and retail operations. They hold almost 90 per cent of the aggregate assets of the banking system.

To reach their present size they have gone deeply into foreign business: nearly 40 per cent of their assets is foreign, overwhelmingly in the U.S. Despite Poland and the rest, it has not proved a high-risk policy. Last year it produced only 13 per cent of the loan losses.

What of the future? The levelling off of interest rates is likely to reduce the return on assets of the Canadian banks in the opening quarters of their current year of account. The slower growth in prospect if the regulatory authorities take an inflexible view of capital ratios would also limit profit growth. On the other hand, analysts in Canada foresee the likelihood of interest rates turning up again later in the year, bringing about a somewhat widening of spreads. If not, there is a consolation prize. Lower interest rates would make bank shares look more attractive than they do now, which should help with the problem of raising bank capital.

W. L. L.

CANADA III

Ottawa's new industrial policy has slowed down, rather than reversed, the nationalist trend, as W. L. Luetkens reports.

Groundswell of economic nationalism is still evident

ECONOMIC nationalism in Canada, the bugbear of many a foreign investor, comes in waves. After the high tide of last year's National Energy Programme to reduce foreign ownership of the oil and gas industries, the waters have receded, but the groundswell remains.

Nationalism in Canada derives mainly from the wish to maintain a separate identity next-door to a dauntingly large U.S. neighbour, but also from a deep contradiction within Canada. The country has high industrial development side by side with what, unkindly but not untruthfully, can be called underdevelopment.

Mr. Herb Gray, generally deemed to be the foremost nationalist in the Liberal cabinet of Mr. Pierre Trudeau, estimated in a recent speech that 65 per cent of the gas and oil industry, which is central to the country's economic prospects, was in foreign, overwhelmingly U.S., hands; that 40 per cent of Canada's mining was foreign-owned and 45 per cent of its manufacturing.

Uger, have been shelved—for how long nobody can tell. The hullabaloo caused in Washington was a main reason. But underlying it was Canada's great need for foreign capital to compensate for its structural current account deficit and to provide jobs.



Mr. Herb Gray, foremost nationalist in the Liberal cabinet of Mr. Pierre Trudeau

of slow and occasionally non-existent growth, Canada can ill afford to turn away potential employers. Moreover, the less industrialised provinces and those, like Alberta, which depend heavily upon the extraction of raw materials, feel that pressure even more strongly.

More withdrawals That explains why over the years only 134 of 2,059 applications from foreign investors have been rejected. The proportion of rejections has remained relatively stable.

What has increased is the share of applications withdrawn, though in their case the grand total of 180 since September 1975 is also relatively small.

CDC at the crossroads

POLITICAL PEACE is urgently needed by Canada Development Corporation, the resources and high technology company, which is 48 per cent owned by the Federal Government, while it wrestles to rebuild its finances. Its balance sheet remains tautly stretched since last summer's deal with ELF Aquitaine of France which left CDC owning Aquitaine Canada, an oil and gas company, and the Canadian assets of Texasgulf, the U.S. mining company. ELF took control of the rest of Texasgulf.

internal growth rather than further major acquisitions, he added. This growth will require C\$1.75-2bn of additional debt and C\$1.5-1.75bn of new equity and retained earnings.

The Government is reviewing its role in CDC at the moment and Mr. Hampson hopes it will make a decision this year ending the uncertainties to make the fund raising efforts easier.

Recent Ottawa Cabinet shuffles indicate that the most ideologically committed of the economic nationalists have had their wings clipped. But they do retain some offices and political influence.

Four options The Government has at least four options. It can buy out the private shareholders of CDC, although that would further strain Ottawa's finances.

Secondly, it can sell its shares and use the money to set up a 100 per cent owned government corporation to do its will. But at current share prices the company's market capitalisation is only C\$550m, making Ottawa's stake worth less than the C\$250m of capital it put up initially plus the C\$72m of shares it took for transferring ownership of Polysar to CDC.

Thirdly, it could do nothing to the corporate ownership but change CDC's role. This would outrage financial markets. The fourth choice is to do nothing to structure or policy other than expedite the intention to leave the company alone.

The board has the right unilaterally to buy out the Government, Mr. Hampson believes, however, that the Government has the basic shareholder's right to decide for itself what to do with its investment.

U.S. uproar

Following the Texasgulf-Aquitaine deal, CDC is the 10th largest oil and gas company in Canada with extensive land holdings. It owns the Kid Creek copper and zinc mine in Ontario, formerly a Texasgulf asset, and considered the best such ore body in the world.

Mr. Hampson estimates that from a standing start in 1971 sales reached about C\$3bn last year and assets hit C\$8bn. They could reach C\$9bn and C\$13bn respectively by 1986, fuelled by

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Roderick Oram

CANADA IV

Although Ottawa and Alberta have settled their dispute, recovery for the oil and gas business will not be swift. Jim Rusk reports

New challenges for energy industry

AFTER NEARLY two years of crisis the Canadian oil and gas business is looking towards a relatively stable period during which its main challenges will be to adjust to a new policy environment and declining markets for liquid hydrocarbons.

The industry has been in a holding pattern since October 1980 when the federal government launched its controversial National Energy Programme. The latter's main objectives were to make Canada self-sufficient in oil, to get foreign control of the industry down from about two thirds now to half by 1990 and to allow the artificially low price of oil in Canada to rise towards world levels.

At the same time Ottawa wished to increase its revenues from oil and gas at the expense of both the industry and of the provinces where hydrocarbons are extracted.

That policy initiative prompted the industry temporarily to shut down drilling rigs, caused the province of Alberta to order a temporary 15 per cent cut of oil production, and made the U.S. threaten retaliation against Canadian companies wanting to invest south of the border.

Only since the signing last autumn of an energy agreement between Ottawa and Alberta, Canada's largest producer of hydrocarbons, have there been signs that the industry is shifting its attention from the halls of government back to Canadian oil fields and drill rigs.

The recovery will not be swift. Drill rigs, exploration knowhow and capital have been shifted out of Canada, primarily to the U.S. A soft economy and increasing conservation efforts on the part of consumers have reduced demand. Time will be needed to overcome the deterioration in the industry's confidence in government which the acrimony of the last year generated. And some issues remain to be resolved, particularly if large-

scale projects in the oil sands and heavy oil fields of northern Alberta are to proceed. Last September's agreement with Alberta, the important details of which have since been integrated in agreements between Ottawa and other producing provinces, established a dual oil pricing system for Canada in which the price of oil, now C\$23.50 at the well-head, will rise to C\$27.75 by July 1, 1982, subject to a ceiling of 75 per cent of world levels. New oil will be set at international levels. Natural gas prices are tied to oil prices and the policy encourages the substitution of natural gas for oil.

The price schedule, tax levels under which 55 per cent of production revenue flows into government coffers, rising costs and declining refinery runs have cut into industry profits. The country's largest oil company, Exxon subsidiary Imperial Oil, recently reported fourth quarter profits of C\$49m compared with C\$130m the previous year. The decline will continue in 1982 and industry analysts have pared back their profit forecasts for the integrated oil companies accordingly. For example, Mr Alex Squitieri of Pittfield Mackay Ross, one of the country's major brokerage houses, forecast recently that BP Canada will turn in C\$3 a share profit in 1982, against his earlier estimate of C\$3.75.

Takeover spree The weak profit picture could hardly have come at a less opportune time. While the burst of takeovers prompted by the nationalistic aspects of the energy policy has stopped, the domestically controlled industry is still absorbing the C\$6bn or so, financed largely by bank borrowing, that it spent last year to buy out foreign-owned equity. Dome Petroleum, already one of the most highly geared of Canadian oil companies, recently arranged a \$2.1bn bank line to complete the financing of its takeover of Hudson's Bay Oil and Gas.

While the takeover spree has come to end, the industry is still busy rearranging its affairs to be able to take advantage of the favourable treatment of Canadian companies in the National Energy Programme, with its goal of 50 per cent Canadian control of the industry by 1990. Since foreign-controlled companies hold most of the exploration lands, it will take some time to complete this process. The "buying back" of foreign equity in the industry may be the least costly of the policy's priorities. The federal government and Alberta are in the throes of negotiations with the Alsanos consortium headed by Shell Canada about the fate of the proposed C\$1.3bn oil sands plant proposed for northern Alberta.

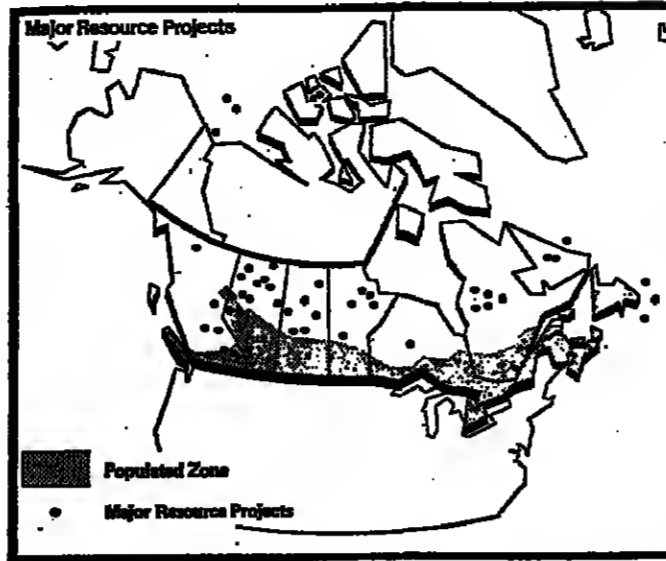
It is not clear whether the plant, which would have a capacity of 137,000 barrels a day when it comes on stream in the late 1980s, will go ahead. The Government has offered a tax and royalty regime supposed to guarantee backers of the plant a 20 per cent rate of return, but two members of the consortium have dropped out and the others are holding out for improved terms. After the Alsanos talks have been completed, negotiations are expected to be started between the two governments and Imperial Oil on the fate of Imperial's proposed C\$1.2bn heavy oil project at Cold Lake in northeastern Alberta. The project would produce 125,000 barrels a day of crude oil by a process, by which steam is injected into the oil sand formation to liquefy the oil and separate it from the sand with which it forms a sticky mixture. The Alsanos and Cold Lake projects demonstrate a risk inherent in Canadian energy policy. The assumption of federal planners is that world oil prices will rise through the 1980s as they did in the 1970s. Canadian policy assumes a real increase of 2 per cent per year in world oil prices. That means that they will reach levels late in the decade that would ensure

the viability of the Alsanos and Cold Lake projects, which will cost C\$100,000 per daily barrel of capacity.

Investment rise Similarly, the policy shifts the exploration emphasis to the Arctic and off the East Coast where there have been promising finds. But these will require new and expensive technology to be developed before production begins. The eastern fields are in an iceberg zone and the water is deeper than the North Sea. Dome's Beaufort finds in the even more difficult environment are in shallow water where winter ice scouring deep into the ocean floor.

Overall, Dr John Dawson, economist at the Canadian Energy Research Institute, recently estimated that Canada will spend C\$400bn in energy development in 1981-1990, a scenario that would see total investment rising to 26 per cent of GNP in the latter half of the decade and in which energy investment would take 27 to 28 per cent of fixed capital formation. Crude petroleum and natural gas development would account for 56 per cent of energy investment, while electricity development would take 34 per cent and pipelines 7 per cent.

Dr Dawson predicts that the trend of the last half of the 1970s which saw oil and gas companies increasingly turn to external financing will continue. He expects that companies engaged in developing large projects such as oil sand will use project financing to preserve their cash flow and borrowing capacity for other purposes. However, the net effect of NEP measures will be to discourage the use of foreign funds to finance oil and gas development. With a heavy use of domestic savings to finance the purchase of existing assets, he predicts the search for external funds may encounter difficulties.



A Canadian Government task force has picked out more than 40 multi-billion dollar development projects, largely energy-related, which Canada could tackle this century. Even though not all of them are likely to be taken on, they will change the pattern of the country, drawing economic activity away from central Canada, mainly to the West and into hitherto almost unpopulated areas

Source: Department of Finance, Ottawa

Canada's giant mining and metals industry, after two years of strong recovery and active exploration and development, took a severe blow from the world recession in 1981. The total value of mining production when all the figures are tabulated, is not likely to reach the 1980 level of nearly C\$15bn (28.7bn).

Metal prices wait for upturn

CANADA'S giant mining and metals industry, after two years of strong recovery and active exploration and development, took a severe blow from the world recession in 1981. The total value of mining production when all the figures are tabulated, is not likely to reach the 1980 level of nearly C\$15bn (28.7bn).

Production rates for base metals, iron ore, molybdenum, asbestos and several other materials have been cut because of slack demand and prevailing low prices. The industry exports about three-quarters of its output.

plus existing ones generally small in capacity, can operate profitably at present metal prices of US\$375 to \$425 per ounce. Prospects for gold production in western Canada are brightening.

Copper producers have seen the price drop to the lowest level, after allowing for inflation, since World War II, and the impact on copper profits has been severe. Falconbridge Copper has just reported a net loss of C\$123,000 for 1981 against net income of C\$30.3m for 1980, on revenues of C\$53m against C\$125m. Main reasons were the drop in copper, gold and silver prices, plus a mine closure. The company has a major new copper-zinc-gold property in north-western Quebec. Generally, base metals prices are running at 10 per cent below the cost of production, and even if there is an upturn in demand and a relatively fast climb in prices from early summer onwards, the Canadian industry in 1982 will not reach any real recovery in earnings. That will probably have to wait till 1983.

Coal and gold boost

Though the principle of production and pricing discipline has been widely accepted in all these depressed areas of the industry, the world recession still dominates the outlook for prices. However, veteran observers point out that despite the length of the present recession, inventories of key metals are relatively low. This means that if the twists in U.S. economic policy bring an improvement in industrial activity late in the second quarter of 1982, key metal prices would respond rapidly.

The industry is also beginning to look more hopefully towards Europe, the second largest market, seeing signs of a turn-about in government policies and industrial activity. The strongest areas in Canada remain coal and gold mining. Western coal development is proceeding at a fast pace, both in Alberta and British Columbia, on the basis of growing demand for thermal and metallurgical coal from Japan and Korea. Prices are being renegotiated this spring.

Several new gold properties are coming into production, mainly in Quebec and Ontario, in the next two years, including a relatively large one on the Quebec-Ontario border at De-tour Lake. These new mines,

exist in Quebec particularly, but because of the environmental issue, development has been shelved indefinitely.

Important changes

The sharp decline of uranium prices has slowed down exploration and development of new properties, particularly in Northern Saskatchewan. Esso Resources may not now go ahead with its Midwest Lake project. In that province, the slack will be taken up by capital spending of more than C\$2bn on potash mining development. Potential uranium mines in the West and in Quebec will lie fallow for many years, while the northern Ontario mines will continue fairly active on existing export orders.

In the Maritimes, the Billiton group of The Netherlands is readying a tungsten-molybdenum producer and Noranda is going ahead with a zinc refinery in New Brunswick. Coal in Nova Scotia is going through a revival.

But the thrust of exploration in base metals, and precious and strategic materials, continues to be concentrated in northern British Columbia, the Yukon and parts of the Northwest Territories. Some important changes of ownership have taken place in the industry. Brascan, a large holding company controlled by the Peter and Edward Bronfman interests, cousins of the Bronfman brothers of Seagram, has taken over Alcan's mines. The Canada Development Corporation, owned by the Federal Government with public participation, has taken over the Canadian assets of Texasgulf, Andler of the richest mine in Canada in the last 25 years—the Kidd Creek base metals producer in Ontario.

Generally the political climate for mining and metals has improved in Canada in the past two or three years. Governments have shown more understanding of the cyclical nature of the industry and its dependence on world prices and demand.

While the Federal Government requires Canadian majority ownership of new uranium mines and controls uranium exports, and clearly wants to encourage Canadians to participate more fully in the industry, foreign investment is still welcome in mining and metals.

Robert Gibbens

Roderick Oram looks at the rapid domestic rise in new ventures Strong drive for high technology

A STRING of high technology institutions, spawned at an unprecedented rate over the past few years, is helping to broaden Canada's industrial base. These fledgling ventures, and their supporting infrastructure of subcontractors and investors, are now a large enough group to act as catalysts for additional new companies. Their boundless optimism is in sharp contrast to the generally dull short-term outlook in other industrial sectors.

For the first time in Canada's development, almost all the new companies are domestic-owned rather than foreign. Reflecting this characteristic, the Canadian Advanced Technology Association, which accepts only indigenous companies, has grown to about 110 companies since it was established in the late 1970s.

Mr Robert Long, CATA's executive director, estimates that half of its members are under three years old, perhaps 45 per cent four to nine years old and only a handful older. The members' combined sales were about C\$1bn last year and are growing between 50 per cent and 75 per cent a year. They employed about 17,000 workers at year-end. He estimates that there may be as many as 1,000 high technology companies in the country with a minimum 51 per cent Canadian ownership.

Number limited Canada has always had some of its own high technology companies but the number was limited by industry's concentration in natural resources and widespread foreign ownership of companies. Typically, research and development has tended to be done in the parents' foreign plants. The country still lags behind other industrial countries in the key measure of the percentage of gross national product spent on research and development. The figure is 1 per cent now and the federal Government's goal is 1.5 per cent by 1986.

Canada has always had some of its own high technology companies but the number was limited by industry's concentration in natural resources and widespread foreign ownership of companies.

Accurate figures are unavailable because the Government's statistical service has failed to keep up with the changing face of industry, according to Mr Long of the CATA. He reckons that only a handful of the companies existed in the mid-1970s. He and other observers believe the sector's workforce could grow five-fold in the next 15 years to rival the static Government sector as the largest employer.

At first glance, the area is Silicon Valley North, but in fact it has one crucial difference: almost all the Canadian companies are in the business of applications rather than solely the large-scale production of integrated circuits.

The region's ability to spawn high technology companies has two clear roots: The National Research Council, a Government body; and Bell-Northern Research, which is 70 per cent owned by Northern Telecom, the telecommunications equipment maker, and 30 per cent by Bell Canada, the telephone utility operating in Ontario and

Quebec. The NRC allocates government research grants, and its 900 scientists and technicians undertake research for the Government and for small companies. Its interest in electronics dates back to the Second World War when its staff was increased 15-fold to work on electronic military equipment. BNR, which is the largest Canadian research establishment with an annual budget of C\$200m and a North American staff of 2,900, can trace its origins back to a 1956 anti-trust decision in the U.S.

Joint venture American Telephone and Telegraph had, at that time, a minority stake in Bell Canada which in turn owned Northern Electric, a manufacturing subsidiary subsequently renamed Northern Telecom. AT and T supplied most of Bell Canada's and NE's technology through its Bell Labs and Western Electric subsidiaries.

Following the 1956 ruling on AT and T's foreign holdings, AT and T invested its Bell Canada stake which forced Bell Canada to set up its own R and D capability in NE. The Canadian Government subsequently forced Bell Canada to separate itself from Northern Telecom.

BNR was spun off from NYT's research department in 1971 in belief it could then better serve its two parents as a joint venture. BNR believes it is the world leader in digital technology for telecommunications and that NT was the first company to commercialise it. These products grew out of huge R and D projects in the late 1960s and early 1970s for which BNR turned extensively in Britain. Coupled with the spinoff of people and ideas from the fertile BNR environment, the two factors have left an indelible mark on Ottawa area high technology companies. About 100 companies in the region can trace their roots back to BNR, according to Mr J. S. Buchanan, BNR's vice president of corporate development. Perhaps 30 per cent of the high standard technology companies in the region are headed by British scientists, estimates Dr Michael Cowpland, president of Mitel, a telecommunications equipment maker. Dr Cowpland is a graduate of Imperial College, London, and an ex-NYT/BNR employee. "There's an obscure number of Brits dominating the high

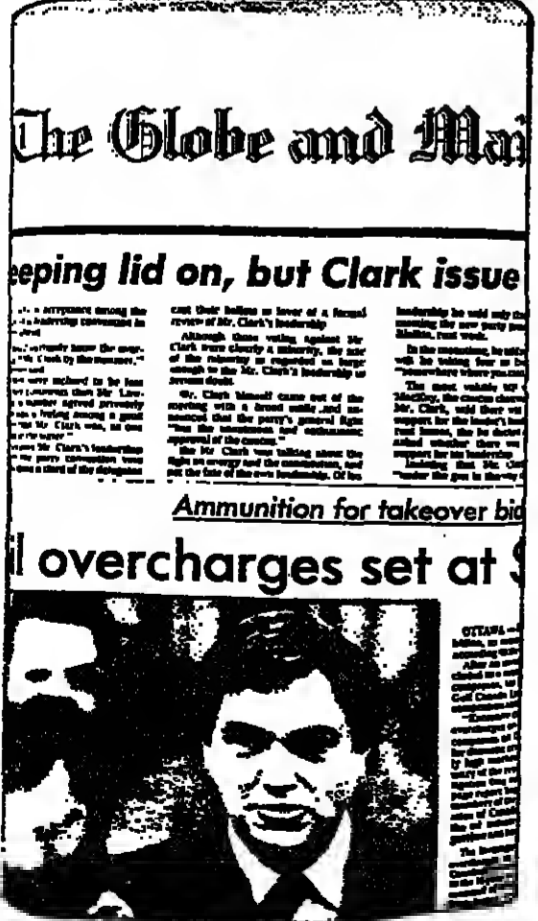
technology scene in Canada," said Mr David Pearson, president of Oratech, a computer-aided design company, spun off last year from the NT. He went from Imperial College to ICL in Britain before joining BNR in 1977.

Dr Cowpland and his co-founder of Mitel, Mr Terry Matthews, also an English, ex-BNR, are something of role models for local entrepreneurs. Seed money for Mitel came in January 1974, with the sale of 25 per cent of its equity for C\$100,000 to a group of local doctors and dentists. Mitel's current market capitalisation is just over C\$1bn, down from the value of C\$1.5bn when the share price peaked last year. The company's sales have grown from C\$5.4m in the fiscal year ended February 1977 to an anticipated C\$200m in the year ending this month. It sees sales of C\$1bn by mid-decade, helped in part by a major manufacturing and marketing expansion.

Mitel's success has given rise to other companies. Dr Cowpland has channelled part of his Mitel wealth into his own venture capital company, Bytec Management Corporation. Bytec has invested in eight companies so far including Oratech and Nabu Manufacturing Corporation, a microcomputer company which among other products and services will link its own make of home computers with data banks and other services through cable television networks.

The Federal Government has played only a general role in the growth of this high technology sector. Tax incentives, grants and research help have all contributed but not within the framework of an industrial strategy. There are some exceptions to this rule such as a government agency's leading role in Canada's development of nuclear power. Provincial governments have played similar roles to the federal Government but in some cases in more specific ways. The Ontario Government, for example, has set up a microelectronics centre in Ottawa to produce custom-made chips, a computer-aided design centre in Peterborough, and a robot centre in Waterloo. Government research institutions in eight provinces have a total budget of C\$70m a year and employ 500 people. They are available for contract research for small companies lacking their own R and D skills.

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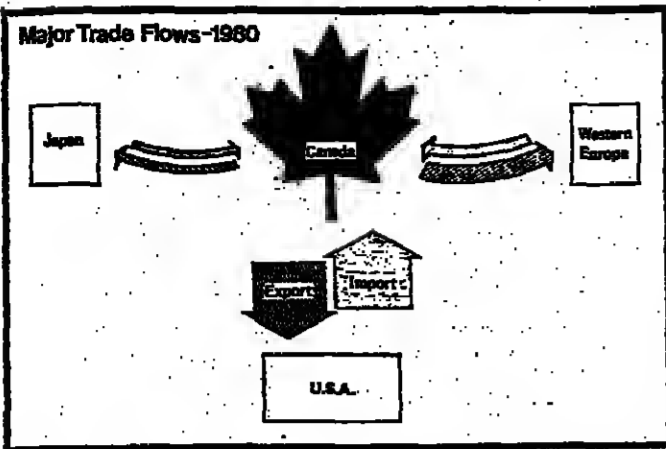


Roy Hodson looks at investment plans in the troubled aluminium industry

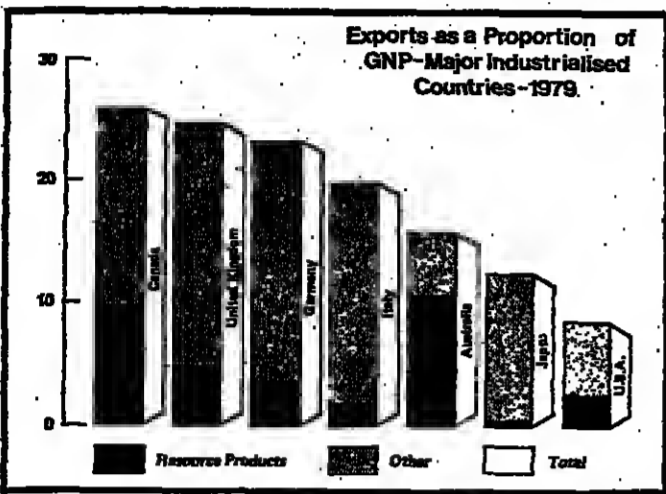
# Trading conditions remain difficult



David Culver, Alcan's president — pressing ahead with new investment despite hard times in the industry.



The U.S. is Canada's largest trade partner by far. Of total Canadian exports of C\$76.2bn in 1980, 63 per cent went to the U.S., which in turn supplied 70 per cent of Canadian imports of C\$68.4bn.



Exports play a greater role in the Canadian economy than in most other industrialised countries, but the share of relatively unprocessed raw materials is high.

WITHIN THE last year Alcan has reacted to the recession that is hitting the world aluminium industry by curbing its overseas expansion programme, at least for the time being. Demand for aluminium is poor, with stocks of unsold metal held by producers now standing at more than 3m tonnes equal to about three months' normal western world demand.

But even before the full force of the trading slump hit the world last year it was clear that Alcan was having second thoughts about expensive capital investment programmes outside Canada.

Under the direction of Mr David Culver, the president and chief executive, the group has recently shown a new surge of interest in the further expansion of its home base, Canada, by investment and ambitious schemes to make use of the quantities of hydro-electric power that are still available for exploitation across the country.

By mid-1981, Alcan had indefinitely postponed a planned new Australian smelter which would have had a capacity of 200,000 tonnes a year and would have cost in the region of £500m. In part, the company was influenced by the fast-changing conditions for smelting in Australia including rising estimates of power costs. But there is no doubt that Alcan also acted as part of a group

strategy to give prime place to new investment in Canada. Alcan contends with Alcoa of the United States the position of being the biggest aluminium company in the world. The two giants are remarkably similar in size, each with the capacity to produce upwards of 2m tonnes of ingot aluminium annually. Alcan has more than 1m tonnes of smelting capacity actually in Canada and dominates the industry there.

### Long-term view

Despite the hard times that the industry is experiencing Alcan's actual new investment in Canada last year reached Canadian \$35m which was spent upon major capital programmes, modernisation schemes, and other schemes at various plants aimed at improving energy efficiency and environmental controls.

Alcan's capital investment programme will continue this year without noticeable trimming although markets are bad everywhere. The United States market, which accounts for roughly half of the western world's aluminium needs, is so depressed that the local smelters are working at only three-quarters their production capacity.

Mr Culver believes the long-term prospect for Canada is for a better return upon aluminium industry investment there and

for increased smelting capacity. But he does admit that present trading conditions are extremely difficult and likely to remain so for some months at least. "Canadian demand for aluminium is likely to remain soft into 1982 and until there is a recovery in the world economy."

He forecasts that the upturn in aluminium markets internationally could take considerably longer than in previous recession cycles. Alcan and other companies among the big six that produce most of the West's aluminium support a consensus view that when the world economy expands once again world demand for aluminium will show a medium to long-term growth rate of about 4 per cent a year. In the past it used to enjoy growth rates of around 8 per cent. The big companies believe that those days have gone, probably for ever.

Alcan has recently cut its Canadian production (from last November) to 941,000 tonnes annually (some 92 per cent of the company's rated capacity in Canada) in order to match depressed markets. Commenting on the cut, Mr Culver said that Alcan's Canadian shipments of aluminium in all forms in the first nine months of 1981 had been about 1.1m tonnes, a small decrease on the 1.2m tonnes in the same period of 1980.

Alcan sees Canada as a mother country which it under-

stands thoroughly and one which also has a big enough hydro-electricity base to enable the group to develop to meet world demands and to remain in front for a number of years to come.

Clearly, the advantages of more investment in Canada are now outweighing the more nebulous attractions of other parts of the world such as Australia, other parts of Oceania, and Brazil, in the eyes of the Alcan top management.

While looking for long-term Canadian expansion, Alcan has had no qualms about severely trimming short-term growth to avoid being out of balance with the market.

### Delayed

The start-up of the second new 57,000 tonnes a year aluminium potline at the big Grande Baie smelter in Quebec has been delayed until the market improves and half a potline (some 20,000 tonnes a year capacity) has been closed at Kitimat in British Columbia. Those two moves down-rated Alcan's production capacity in Canada from 1,018,000 tonnes a year to 941,000 tonnes a year.

But construction is continuing on the third 57,000 tonnes a year potline at Grand Baie, Quebec, which will raise the total capacity of that smelter to 170,000 tonnes a year by next year. Alcan also wants to exploit

power in Manitoba to drive another new smelter in the 1980s. During the last year the company and the Manitoba Government signed a letter of intent to conduct a feasibility study for a new smelter in the province. Alcan is interested in investing in a 200,000 tonnes (annual) smelter and related hydro-electric facilities. But the company says it will be started "if and when market conditions warrant." A site north of Winnipeg is the preferred location for the smelter.

In western Canada Alcan is also looking at the possibility of expanding smelter production in British Columbia based upon further development of the Kemano power project. Environmental pressures have held back development of the considerable amount of further hydro power available. But Alcan says it is confident that a solution can be reached which will permit a bigger hydro installation.

The Kemano scheme is remarkable in that it harnesses high mountain lakes to provide water power at great pressure via a waterway that is tunneled through a mountain from top to bottom.

Canada is one of the best prospects in the world for the expansion of aluminium production by harnessing hydro power. Alcan is superbly placed to do it with its roots in Canada. But the severe downturn in aluminium market demand is worldwide. Until there is

recovery in world economic conditions, the industry is expected to mark time, or at best invest slowly and cautiously. Alcan is now hoping that its strategic growth will be able to move forward during 1982 albeit at a slower rate than had been planned originally.

Although Alcan dominates Canadian aluminium, Reynolds, the American aluminium producer, has a smelter at Baie Comeau, Quebec of 158,000 tons a year. An extension is planned for that plant. That project together with the completion of Alcan's Grande Baie investment would increase Canada's rated aluminium smelting capacity by a massive 25 per cent. Only Australia among other big producers is likely to expand aluminium production at a comparable rate during the 1980s.

## The forest products sector A spree of take-overs

A SHARP dividing line splits the Canadian forest products industry between prosperity and poverty this year, as last. East of the Rockies and in Central Canada producers, concentrated in papers and particularly buoyed up by newsprint, will report strong earnings for last year, some companies reaching records.

In Atlantic Canada the industry has been made uncompetitive for many years by distance from markets and the ravages of a parasite. Some companies are in trouble.

West of the Rockies, in British Columbia, producers have been struggling against a cyclical setback in the North American housing industry. British Columbia forestry companies concentrate on lumber production.

They endured a seven week strike last summer and since then many lumber operations have been in the red. MacMillan Bloedel, the leading company, is expected to report a loss, despite its newsprint and paper interests.

Last year was also marked by an unprecedented spree of take-overs. Canadian Pacific bought Canadian International Papers from its U.S. parent for C\$1.1bn.

Noranda Mines bought a 49.9 per cent stake in MacMillan Bloedel for C\$600m and later spent C\$19.5m for a 26.8 per cent stake in Normick Perron of Quebec. Abitibi-Price, the largest Canadian newsprint producer, was sold to Olympia and York, the Toronto real estate developer, for C\$625m.

In addition, Albert Energy Corporation bought Noranda's 28.3 per cent stake in British Columbia Forest Products for C\$215m and two Quebec government agencies raised their combined stake in Domstar to 42 per cent for an undisclosed sum.

For most acquisitions the take-overs were straight plays to buy assets rather than build them. New newsprint capacity is costing roughly C\$1m per 1,000 tonnes of annual output while the Abitibi deal worked out closer to C\$350,000 per 1,000 tonnes.

The takeovers and minority stakes were also attempts to build up greater holdings of timber rights from a diminishing supply.

### Main problem

The industry's greatest problem is the lumber market which is deeply depressed because of the continuing weakness of housing starts in the U.S., a market which takes about 70 per cent of its output. From a peak of near 2m starts a year and an average in the mid-1970s of 1.7m-1.8m, starts dipped to 1.3m in 1980 and to about 1.1m last year.

High mortgage rates were the culprit and no upturn in housing activity is expected until rates come down to the mid-teens later this year.

U.S. housing starts should pick up somewhat, according to Mr Robert Duncan, vice president of Wood Gundy, the Toronto investment dealer. He is looking for about 1.3m starts this year and 1.6m-1.7m next year.

He doubts, however, that profits will return to the lumber sector before mid-1982. Prices are currently at their lowest nominal level in six years. Canadians have always been marginal suppliers to the U.S. market, taking about a 22 per

cent to 25 per cent share in strong markets and 12 per cent to 18 per cent in weak ones. In this slump, however, the Canadians' share has risen to 30 per cent in a market that has contracted by a quarter.

U.S. forest products companies have reacted angrily to the Canadian success, claiming that provincial governments use unfair pricing policies for government-owned timber cutting rights sold to producers.

Although Canadian producers might have some advantage on this point, the basic key to their success is greater cost competitiveness because of the Canadian dollar's devaluation since the last slump in demand. U.S. Congressional hearings are due to be held shortly.

Mr Adam Zimmerman, Noranda's executive vice-president and the man in charge of its forestry interests, said the charges were "spurious." He noted that the issue has been raised before but faded away when demand recovered. He expects the same to happen again.

In contrast to the trouble in lumber, newsprint producers have enjoyed continued brisk demand and sound profits, although margins began to ease in the latter part of last year.

The outlook is for a further decline in profits because consumption is likely to remain flat while capacity is increasing.

Mr Ray Kilroy, an analyst with Levesque Beaubien, a Toronto investment dealer, estimates that North American capacity will have grown a total of about 12 per cent in the two years 1981-82. This will push down Canadian operating rates from about 95 per cent to 96 per cent last year to about 87 per cent this year.

Some price increases are in the pipeline but are unlikely to cover rising costs, so Mr Kilroy thinks operating profits on newsprint could fall about 35 per cent this year.

Mr Duncan is forecasting annual newsprint price increases of about 6 per cent to 7 per cent this year and next while costs could rise by 9 per cent to 12 per cent a year.

Fine paper producers had a good year until the onset of the recession in late summer. Canadian producers have begun to be squeezed out of the U.S. market while imports into Canada from the U.S. have risen.

Similarly, packaging was relatively strong but because it is closely tied to general economic activity, it suffered a sharp setback in the last quarter of 1981.

Overall, the forest sector's greatest concern is wage settlements. British Columbia workers won a 28 per cent rise over two years plus a cost of living escalator as a result of their summer strike. Meanwhile, workers just over the U.S. border settled for 24 per cent over three years.

The focus this summer swings to Eastern Canada where most companies will be negotiating settlements. Mr James Buchanan, president of the Canadian Paperworkers' Union representing about 38,000 workers in the east, said the union will table in March a claim for a 15 per cent to 20 per cent rise over two years, plus a cost of living escalator triggered if price inflation is greater than 15 per cent.

Roderick Oram

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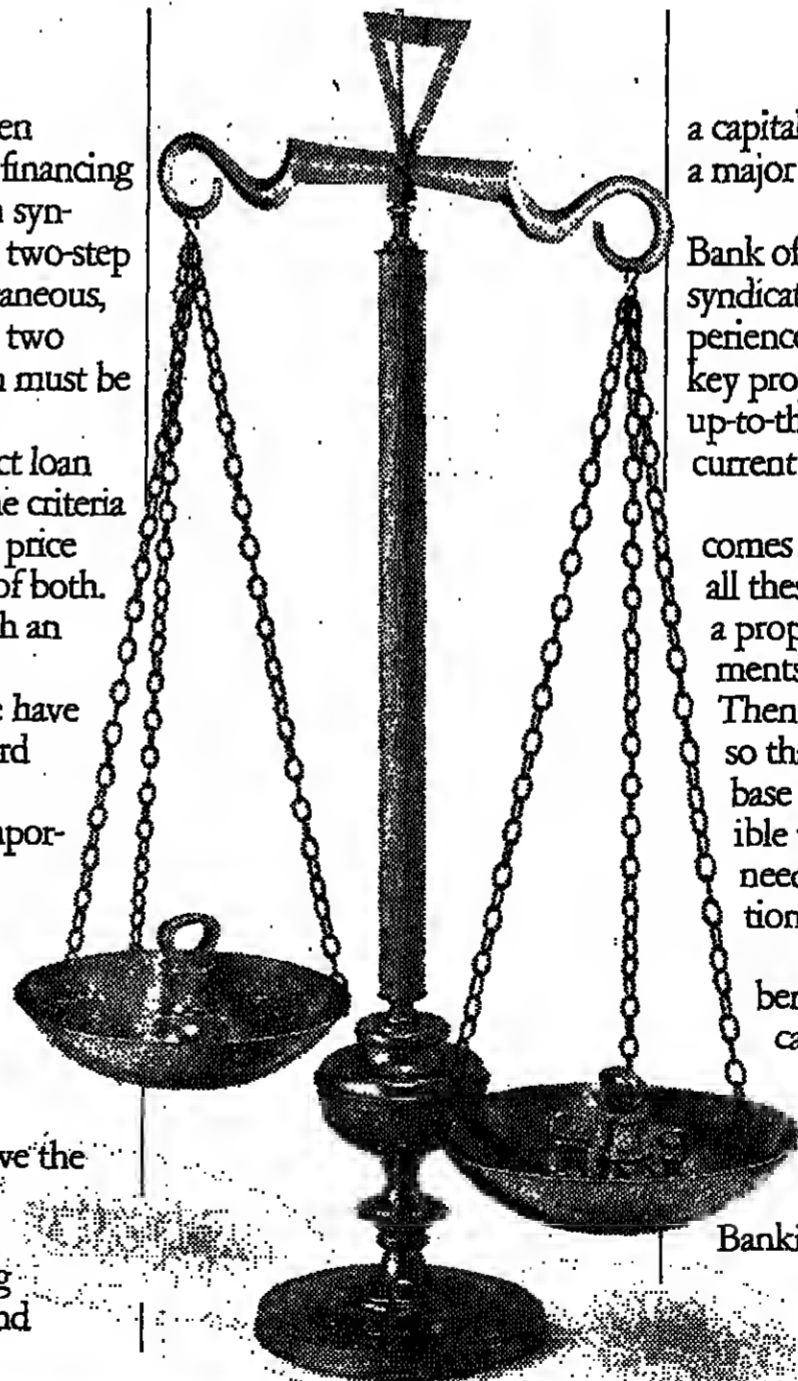
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# BANK OF MONTREAL

# CANADA VI

## Five men who caught the headlines in bitter struggles for power in the worlds of politics and business



Desmarais: exceptional

ABOUT 20 years ago, Paul Desmarais, a Franco-Canadian from Sudbury, Ontario, appeared like a thunderbolt on St. James Street, Montreal, which was already being forced to give way to Toronto as Canada's commercial and financial capital.

Mr Desmarais made his first major takeover of a Montreal holding company and soon went on to acquire an old family-owned power utility company. He built Power Corporation of Canada into a financial services

resource and industrial products group, with interlocking shareholdings with the Paribas banking group of France and a link with the Bank of America.

Now Mr Desmarais has achieved his final goal: a major say in the greatest Canadian holding company of them all—Canadian Pacific, with more than \$15bn in assets and greatly undervalued at that.

A friend of Prime Minister Pierre Trudeau and of Ian Sinclair, chairman of Canadian Pacific, he is now one of the most influential businessmen in Canada.

Mr Desmarais, back in his Sudbury days, took a simple commerce degree and then dropped out of a law course to manage the bankrupt Sudbury Bus Company which his lawyer father had just bought.

With the help of loans from the Royal Bank of Canada and Inco Ltd, he quickly brought the company back to profits and went on to buy bus businesses in Ottawa and Quebec city.

Transportation seemed his first love. Soon, Mr Desmarais saw dormant cash lying in the shell of a Quebec power company which had utility assets nationalised by the Quebec

PAUL DESMARAIS

### French Canadian success

Government. He took control of that company, then bought a holding company owned by the Montreal financier, Jean Louis Levesque and, finally, Power Corporation of Canada.

For the next few years, hardly a takeover rumour arose without Power Corp. and Mr Desmarais being mentioned. He succeeded where Peter and Edward Bronfman, cousins of Edward and Charles Bronfman, who controlled Seagram Ltd, stumbled in their early days. The prize was Great West Life of Winnipeg, already substantial and now one of the largest life firms in North America.

Mr Desmarais was in and out of real estate on a large scale; he also took over Canada Steamship Lines, the largest Canadian lakes carrier and, with it, a national truck haulage company. Consolidated Bathurst, a major pulp paper and packaging group, which later branched out into Europe.

More financial services interests followed a Quebec newspaper chain and, lately, diversification into oil and gas through Consolidated Bathurst. Last year, the old rumours

began again. Mr Desmarais all along had his eye on Canadian Pacific and, through CP, its immense resource and industrial holdings under the Canadian Pacific enterprises hat.

But the heirs of Seagram Edward and Charles Bronfman with more than \$3bn cash in hand had the same goal, it was said. In August, Mr Desmarais sold Canada Steamship to a partnership of Federal Navigation and Commerce and its president, Paul Martin. He bought an initial 4.4 per cent interest in Canadian Pacific, taking an option on another block to bring his holding to 10 per cent.

By the end of the year, he had dropped the option, consolidated his CP stake at 8.4 per cent and made an agreement with Mr Sinclair to lift that gradually to a maximum of 15 per cent. That makes him the largest single holder in Canadian Pacific. If anyone creeps up and makes a bid for control of CP, or any other single shareholder builds up more than 10 per cent, Mr Desmarais has the right to buy more CP shares. And his Power Corp. gets two boardroom-seats.

ROBERT GIBBENS



Lalonde: contentious

MARC LALONDE

### Man who makes things happen

A MAN of relaxed charm in private with a reputation for coldness in public, the enigmatic figure of Marc Lalonde has stood at the centre of some of the most contentious issues in Canadian politics in recent years.

Soon after he entered the Federal Cabinet as Minister of Health and Welfare in 1972 he negotiated without apparent difficulty an effective solution to social policy differences with Quebec that had bedevilled federal relations with that province and wrecked a vitally important constitutional conference only a year earlier.

In 1980-81 he allowed a bitter quarrel with Alberta over oil pricing and revenue-sharing to drag on for many months and finally settled on terms which the province would have accepted at the beginning.

As the ministerial sponsor of the national energy programme although not its author, he has pursued policies that are nationalistic, highly interventionist and discriminatory against foreign investors already established in Canada.

He describes himself however, as a pragmatist and for many years has been one of the country's most determined opponents of Quebec nationalism.

If as rumour has it he becomes senior minister over a giant economic super-ministry his appointment will be taken as a signal of further interventionist policies by the central government. Yet no one is quite sure. In many ways, he still talks like a pragmatist. He is a man of contradictions and not easy to understand.

It may be typical of him that in 1970 he had reservations about the repressive measures proposed during the October crisis yet supported them firmly and believes it did no particular harm.

"I know of many other countries in the Western world which have tried to compromise with terrorism and they are still finding it," he says, arguing that the temporary suppression of civil rights in Canada actually ensured their survival through the quick suppression of terrorism after the kidnapping of James Cross, British Trade Commissioner, and the kidnap-murder of Quebec's Labour Minister Pierre Laporte.

He concedes that after his long opposition to Quebec's variety of nationalism, he has become at least to a degree a Canadian nationalist but adds quickly: "Out of necessity."

It has never been clear why the man who could, without trouble, negotiate a successful sale to an apparently intractable problem with Quebec found it so hard to arrive at an agreement with Alberta. The delays stalled work on two multi-billion dollar energy projects and he talked for a time of trying to use Federal powers to take over control, over what is normally a provincial jurisdiction.

Then he accepted the delays, although the two projects were vitally important to his goal of oil self-sufficiency for Canada by 1990.

On the important question of his attitudes towards state intervention in the economy, he has this to say: "I have never had any dogmatic approach to state intervention. I like to look at those issues in a very pragmatic way. If the people get a better deal in the end, I'm for state intervention. Which doesn't mean it should take place every time, right? I don't have a very ideological bent in the sense that there has to be intervention. But I do not have any hang-ups about it either."

One man who used to work with him closely says: "Marc doesn't think things through, that's not his strength. He causes things to happen."

W. A. WILSON

JEAN CHRETIEN

### Little guy makes good

MR JEAN CHRETIEN, a Quebec machinist's son and 18th among 19 children, has worked hard to preserve his populist image as "the little guy from Shawinigan" but he is one of the most experienced members of the Trudeau Government.

He was also the one major federal actor in last year's constitutional quarrels who remained consistently well-liked by provincial ministers and officials and the only Liberal Cabinet minister who is genuinely popular in Western Canada.

Blunt at times to the point of brutality he has been described as a man who might kick another and then have his victim say: "That Jean Chretien's a nice guy."

His image as a plain, simple man hurt him as Minister of Finance before the Trudeau Government's 1979 defeat, but officials who worked with him insist that the popular view of him as out of his depth was wrong. He seldom bothered to read long memos and insisted on concise oral briefings but his associates maintain that he grasped the intricacies of the Finance Department's role.

He is a man of tremendous energy. After the 1980 election returned the Liberals to power, he played within weeks a major role in the Quebec referendum campaign that led to defeat of separatism. Without a rest, he plunged into the struggle over constitutional change which went on from then until last November and throughout was Prime Minister Trudeau's chief lieutenant.

It was probably his fervent

and unquestionable faith in Canada that protected him from the resentments stirred up by the federal attempt to patriate the constitution unilaterally and push through a charter of rights without provincial agreement. He was as determined on that course as Trudeau himself until the Supreme Court of Canada derailed it but where the Prime Minister was considered arrogant and hostile to the provinces his Justice Minister was viewed as a stubborn "street fighter," another image he encourages.

Jean Chretien is the Canadian who keeps the words "patriotism" and "patriot" from becoming totally unfashionable in Canada. In a Cabinet marked by the nationalism of its policies and some of its strongest members, he eschews nationalism for the role of patriot and is never embarrassed to claim that label.

He is sensitive to criticism and admits to an inferiority complex which 18 years in Parliament, 14 of them as a Cabinet Minister, has not overcome. He is hurt by any reference to a slight facial paralysis left by an early attack of polio and was bitterly and openly furious at an Opposition member who parodied the style of speech it causes. Yet he often seems at his best in the middle of a battle. He resents Montreal intellectuals because of their attitudes of superiority but gets along well with Trudeau who is the quintessence of Montreal intellectualism.

The leaders of the Quebec separatist Movement tend to be



Chretien: blunt

intellectuals and they show a special dislike of Chretien, in part because of his working class background and in part because his populist approach is dangerous to them.

"They detest me," he says. "I may hate what they want to do to Canada but I don't hate them. That's a difference between nationalism and patriotism."

Alone among possible successors to Trudeau, he has made no secret of his intention to contest the Liberal leadership when the time comes. The Prime Minister has warned ambitious colleagues not to campaign while he is still there but he does not seem to object to Chretien's frankness about his long-term objective.

W. A. WILSON

BRIAN PECKFORD

### A cocky fighter

MR BRIAN PECKFORD, Newfoundland's premier, at the age of 39, is still living up to his reputation as the bad boy of Canadian confederation. The pugnacious former high school English teacher, used the recent First Ministers' meeting in the economy in Ottawa to lecture Mr Pierre Trudeau, the Prime Minister, and his ministers on the folly of their ways.

"The nation is in deep, deep trouble economically. The economic management policies you have put forward simply won't work. There has to be more co-operation with the provinces. You cannot bypass this legitimate level of government," he said.

While the rhetoric wasn't quite up to Mr Peckford's usual fire, the substance was quite in character. While nominally a Conservative, he is neither from nor does he seek to be part of, the privileged stratum of Newfoundland society that long

considered the former British colony its collective fiefdom.

His political ideals stem from the injustice he says he saw while working among the province's poor as a part-time welfare officer during his days at Memorial University in St. John's in the early 1960s.

Having earlier attempted, unsuccessfully, to become a Liberal candidate, his involvement with the Conservative party in 1971 was purely arbitrary. He might just as easily have joined the social democratic NDP. But having once become a Conservative, he quickly was noticed, first as special assistant to then premier, Mr Frank Moores, then successively as Minister of Municipal Affairs, then Mines and Energy, and ultimately as Mr Moore's successor as head of the party.

Having sought political power to correct personal injustice, he has attempted as premier to

correct what he considers are the collective economic injustices heaped upon his homeland, poorest of the Canadian provinces. It has led him into acrimonious battles with Ottawa over the ownership of offshore oil and gas.

His scurrilous complaints against the inequitable 60-year, Churchill Falls hydro power sales agreement, negotiated with Quebec by a former Liberal government — at rates which cost Newfoundland some C\$500m a year — and against federal claims to the offshore, led people to wonder what ever happened to the quiet courtesy of the ordinary Newfoundlanders. Mr Peckford replies: "All I am asking is the right for Newfoundlanders to be treated as equals, not as second class citizens."

His effectiveness will be shown when negotiations between the eastern coastal provinces and Ottawa over offshore resource conclude, possibly very soon.

Total provincial control of the offshore Hibernia oilfield could give Newfoundland a windfall of up to C\$12bn. Federal ownership would leave the province only about C\$3bn, unless he is prepared to risk all by further pushing the issue to the Supreme Court of Canada.

LYNDON WATKINS



Peckford: acrimonious

locked Mr Gray's determination to strengthen, substantially the powers of the controversial Foreign Investment Review Agency and then successfully opposed a highly interventionist industrial strategy which the same Minister was pushing.

Sen. Olson has been Minister of State for Economic Development but his influence comes from his chairmanship of the Cabinet committee on economic development, which groups all Ministers with any responsibility in that area.

I guess I believe that you don't really need to be an interventionist so much in the economy because, you know, they seem to run better the less government surrounds them. You don't need to own things to get revenue out of them. Quite frankly, I believe that if you have the private industry out there, the dedication that goes with the profit motive, you know, to sell the stuff and make the industry, is more effective than the more government being in it. That motivation has got to be there, otherwise you don't win."

In his periods out of active politics Senator Olson has been a merchant and operator of a 5,000 acre beef and grain ranch in south-eastern Alberta near Medicine Hat. He still refers to that as "the real world" and to Ottawa's powerful bureaucrats as "the people down there." It has been suggested that in this Trudeau Cabinet his conservative views make him sound like a teetotaler in a gin mill but he insists he is not alone.

"There's a few others there that understand that pretty well." He made his initial political reputation soon after he was first elected as a Social Credit member of the Commons in 1967, mainly because his well-argued positions always seemed to display common sense, not the predominant quality among the old Social Crediters. He lost his seat in the Conservative landslide of 1988, was re-elected in 1962 and left his old party in 1967.

Although, former Prime Minister Pearson liked him and welcomed his move into the Liberal Party, it was Mr Trudeau who gave him his first Cabinet post in 1988 as Minister of Agriculture. He was defeated again in 1972 and appointed to the Senate in 1977.

W. A. WILSON

BUD OLSON

### Profits count

SENATOR H. A. (Bud) Olson of Alberta firmly denies that a recent reorganisation of government departments made him Pierre Trudeau's economic development czar, pre-eminent over the Cabinet's nationalistic interventionists.

"That's not a role I have nor a role I seek," he said recently.

His essentially conservative philosophy, however, is the antithesis of the positions held by his fellow cabinet member, Mr Herb Gray, and he is widely credited with having "ruined the thrust of the latter's ideas, which are strongly nationalistic and interventionist. Senator Olson is one of the few cabinet ministers to enjoy the full confidence of the business community."

It probably does go too far to suggest that the Alberta Senator, once a Social Credit member of the Commons and after crossing the floor once to become Minister of Agriculture, is a czar. Nor is he a member of the small inner circle that holds the greatest power in this Trudeau Government.

No-one has much influence on the tight inner circle on the matters that preoccupy them—the constitutional issue, the National Energy Program and troubled relations with Alberta. It is in areas outside the major preoccupations that others have varying degrees of influence and at that level Sen. Olson has had substantial power. More than anyone else he

blocked Mr Gray's determination to strengthen, substantially the powers of the controversial Foreign Investment Review Agency and then successfully opposed a highly interventionist industrial strategy which the same Minister was pushing.

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W. A. WILSON



Olson: common sense



Ian Crowe, Terry Glossop, Ian Smith, Simon Gretton

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CANADA VII

Jim Rusk explains the growth in Alberta and British Columbia's economies



Shift westwards continues

THE ECONOMIC forces that made Canada's two westernmost provinces, Alberta and British Columbia, into the most rapidly growing region of the country in the 1970s are protecting their economies against recession this year.

Though both will have lower rates of growth than in some of their recent boom years, they are expected to outperform the Canadian economy as a whole by a wide margin. Alberta's provincial Treasurer, Mr Louis Hyndman, expects the province's economy will grow by 5.5 per cent this year, a full point higher than last. British Columbia is expected to turn in a growth rate of 2 to 3 per cent. Both rates are well above the performance expected for Canada.

While the reasons for the relative buoyancy of the two provinces differ, their performance is a continuation of one of the dominant trends of the Canadian economy in the 1970s: a shift westwards in activity. The once dominant industrial heartland of central Canada has stagnated; the West has boomed. Moreover, just as population and economic shifts to the south have redrawn the U.S. political and economic map, the shift westwards, which will continue as strongly in the 1980s as the 1970s, is reshaping the Canadian political economy.

The political shift, which has been typified by the bitter battles between Alberta and the central government in Ottawa for control of resource development, will become evident later this year when the first reports of the 1981 Canadian census

are published. They will herald a gain of population and hence a gain of seats in the Canadian Parliament for the western provinces. It will not be enough as yet fundamentally to upset the central Canadian dominance of national affairs but is a sure sign of where things are going.

The political stress between Ottawa and the West is muted by last year's resolution of the two issues whose had dominated Canadian politics—the fight over the patriation of the constitution from Westminister and over a pricing and taxation regime for oil and natural gas, the foundation of Western wealth.

Even keel sought

At the recent economic conference between the Prime Minister, Mr Pierre Trudeau, and his 10 provincial counterparts, both Alberta and British Columbia differed with federal economic policies but in tones that were markedly less strident and personal than during the constitutional and energy price negotiations.

Alberta's Premier, Mr Peter Lougheed, is anxious to get relations with Ottawa on to a more even keel, a tactic that some provincial political observers feel is an integral part of a carefully conceived design to put himself in a position to replace the former Prime Minister, Mr Joe Clark, as head of the federal Progressive Conservative Party.

Mr William Bennett of British Columbia, whose Social Credit government will face a stiff challenge from the social democratic New Democratic

Party when it goes to the polls later this year or next, is anxious to present himself as a statesman who knows how to get on with Ottawa and play a significant national role.

Though quite different physically, the two provinces have reaped the economic benefits of strong resource-based growth in the last 15 years. Alberta, which runs from one the eastern slopes of the Rocky Mountains out to the central North American plain, is the major producer of oil and gas in Canada. Oil has been the basis of its growth. British Columbia, a mountainous province on the Pacific coast, has an economic base of forestry, fishing, hardwood mining, coal and natural gas, and a strategic location facing the booming economies of north east Asia across the Pacific.

Alberta's strength in the current recession is based on its successful diversification efforts of the last decade away from a narrow base in agriculture and oil and gas extraction. Its commercial centre, Calgary, currently has under way the construction of more square feet of office space than any other city in North America. Most of it is leased to tenants before the buildings are completed.

Manufacturing output in Alberta has grown 50 per cent faster than the Canadian average since 1965 and the province, which produces 25 per cent of the food and beverage industry for 40 per cent of its manufacturing, has now become an important petroleum refining and petrochemical producer.

With its new world scale plants Alberta's basic petrochemicals can compete even in Japan with Middle-East suppliers.

While unemployment nationally will run between 8 and 9 per cent this year, it will be less than half that level in Alberta, a promise that is drawing unskilled workers from the East to migrate West. Their movement is creating social problems in towns such as Calgary and Edmonton. Many unskilled migrants stay on the unemployment rolls or drift in to petty crime. The boost to Alberta's economy this year comes from construction to house the rapidly growing population and from the commercial activity in Calgary.

The petrochemical industry is still expanding. With three new projects to come on stream in 1982 and several more planned by 1990, Alberta will supplant Ontario as the leading Canadian petrochemical producer.

The oil and gas industry, which sat on its heels during the two years of oil price negotiations with Ottawa, will not get back into top gear this year. Operating budgets for 1982 were set before last autumn's agreement and drill rigs will remain idle this winter although an upturn is forecast for late 1982 and early 1983.

Unanswered question

The unanswered question for Alberta, and the one that will determine its economic fate in the middle part of this decade, is the future of several large-scale projects now being planned in oil sands and pipeline development. The recent withdrawal of two partners from the Al sands consortium, headed by Shell Canada, have cast doubt on the future of this CS13b project in north-eastern Alberta, even though it was expected to go ahead this year after several months of difficult negotiations involving the consortium, Alberta and Ottawa.

If Al sands does not proceed there is then a good chance that the similarly priced heavy oil project at Cold Lake, planned by the Canadian subsidiary of Exxon, may not get off the ground. Similar fears are held for the fate of the Alaska gas

pipeline, several hundred miles of which will cross Alberta, as its financing problems remain unsettled.

In British Columbia the unanswered question is the timing and shape of the U.S. recovery. The province is going to turn in the second-best performance of any Canadian province despite cyclical factors which are working strongly against it. The forest products industry of the province, where layoffs are high and profits non-existent, is going through its worst patch since the depression. Only a sharp and significant recovery in the U.S. housing market will pull it out. The industry is uneasy about the prospect that a mid-summer jump in U.S. interest rates could scupper the chances of any improvement this year.

Similarly, the base minerals industry in the province has been squeezed by weak prices and the recent flurry of mine development has ground to a halt. The fishing industry, which has yet to solve the problem of too many boats chasing too few fish, is probably in for another poor year as price prospects are poor.

British Columbia's strength comes from its Pacific rim location and massive coal reserves. A CS3bn coal development project in north-eastern British Columbia, which will serve the Japanese market, is in full swing. About CS1bn is being spent on the project this year and initial shipments are planned for 1983.

Shipments to Japan and South Korea are already increasing from existing south-eastern fields, prompting both field development and a major bulk port expansion at Roberts Bank near Vancouver. Similarly, at Prince Rupert, British Columbia's major northern port, a CS500m extension of coal and grain shipping capacity is being built.

Finally, despite the weakness of the forest products industry the outlook for kraft pulp is strong enough for two major projects to be under way, adding to the capital boom that is carrying the province through the cyclical downturn of its traditional industries and traditional U.S. market.

Roger Newman on Manitoba and Saskatchewan

Slower but steadier growth ahead



MANITOBA and Saskatchewan will both experience slow but steady growth in 1982. Like all of Canada's provinces they will be held to modest economic gains by high interest rates and the current north American recession. But with the rest of the West, both will achieve higher levels of prosperity than Canada as a whole.

Saskatchewan, for example, is expected to record real growth of three per cent this year, while the Manitoba projection is two per cent. This is a slowing down from 1981 when their growth rates respectively were 5.3 and 3.3 per cent.

In Saskatchewan it is business as usual under the 10-year-old New Democrat regime of Premier Alan Blakeney. The province is almost totally dependent on its resources—the prime ingredients being agriculture, potash, uranium and heavy oil.

Saskatchewan farmers, who plant the largest wheat acreages in the nation, have cut their rental spending because of declining world grain prices and rising production costs. Nevertheless their bins are full as a result of a bumper crop last autumn and sales are almost guaranteed because the Canadian Wheat Board, the government grain exporting agency, has had no trouble finding foreign buyers.

The board has substantially expanded its shipping programme in the current crop year which started seven months ago. Board officials want Canada to strive for a 50 per cent increase in grain exports by 1990. So the longer-term outlook is bright for Saskatchewan agriculture, although grain prices will have to move up if farmers are to cope with their escalating costs.

Oil investment

In 1982 much of the new investment in Saskatchewan will be in the oil industry. A five-company consortium led by Husky Oil Operations is planning to build a CS1bn heavy oil upgrading plant at an unspecified site, probably Moose Jaw or Regina. The new plant will process Saskatchewan and Alberta heavy crude into synthetic crude, making it suitable for a full range of petroleum products. Between 300 and 400 jobs will be created when the plant opens—and 2,500 workers will be employed during the three-year construction period.

Saskatchewan's large potash industry is encountering soft world markets after an 18-

month boom. There have been a few scattered layoffs, but no major shutdowns are foreseen at the province's mines.

Similarly, the uranium industry is not quite as buoyant as in the past. Eldorado Nuclear has announced the mid-1982 closing of a uranium mine in northern Saskatchewan because of depleted ore reserves. In addition, poor markets have caused the postponement of another major uranium mining project at Midwest Lake, also in the northern half of the province. But on the brighter side work is under way on another northern Saskatchewan mine—Key Lake—which will be one of the world's three largest uranium producers when it opens in 1983.

While stability prevails in Saskatchewan, this is a time of excitement and change in Manitoba. A new Democrat government captured power in November, ousting a tight-fisted four-year-old Conservative administration.

The New Democrats, led by Premier Howard Pawley, have promised to increase government spending to stimulate the province's economy.

The NDP—a social democratic party—has pledged itself to undertake a host of programmes, including extended medical and welfare services, facilities for rural towns, the construction of senior citizens' housing and increased assistance to family farms. However, Manitoba's projected deficit for the current fiscal year ending March 31 is a record CS253m (about £110m), almost three times larger than last year's CS80m.

The Pawley administration is also faced with high interest rates and a federal government plan substantially to reduce its budget contributions to Manitoba and other Canadian provinces. Mr Victor Schroeder, Manitoba's Finance Minister, estimates his province will lose CS160m in federal funds in 1982-83 unless he can persuade Ottawa to change its mind.

Furthermore, provincial tax revenues are more buoyant because of lower contributions from three lagging Manitoba industries—mining, forestry and construction.

During the next three to four years any economic resurgence in Manitoba may depend on the fate of three so-called mega-projects proposed by the former Conservative government.

Alberta over the next 35 years. If the three projects materialise the government will also be able to resume construction of CS1bo of power stations on the Nelson River in northern Manitoba. The Nelson development programme initiated in the late 1960s, provided a great deal of stimulus to Manitoba's economy until 1977 when power surpluses forced a postponement of further projects.

Mega-projects

As things stand, plans for the power grid and the potash mine look fairly solid. But there could be a stumbling block with the smaller because Alcan wants to buy a half-share in a Manitoba government-owned power plant. The company's offer was accepted by the Conservatives but it is, being resisted by the New Democrats, who firmly believe in public ownership of all power plants.

The mega-projects, however, are down the road. During 1982 nothing of a spectacular nature is going to happen in Manitoba. The province's unemployment rate, now 6.7 per cent, is expected to average 6.6 per cent this year. Furthermore, federal manpower officials estimate that only 3,000 new jobs will be created in Manitoba in 1982, bringing the total number of employed to 466,000.

Relatively strong industries in the province in the months ahead will include agriculture, manufacturing and some service professions such as computers and tourism. In addition, housing and general construction should show some improvement from the low levels of the past few years. But on the other hand there will be definite weaknesses in such sectors as mining, forestry and retailing.

Saskatchewan's NDP government does not have to worry about money—because it has CS1bn of resource revenue set aside in a special fund established in 1974. About 65 per cent of the province's regular expenses while the remainder is allotted to the further development of Saskatchewan's resource industries such as potash and heavy oil. With so much cash at its disposal the Blakeney government is able to aim for a balanced budget.

Unemployment in Saskatchewan will average 5.6 per cent this year, up from 4.8 per cent in 1981. Similarly, new job creation will be modest, with the number of employed increasing by 2,000 to 433,000.

On the positive side Saskatchewan's population is now growing after going downhill for decades. There are now a record 98,000 citizens in the province, a net gain of 2,000 in the past year. That means more customers for the province's businesses. And while Saskatchewan tends to fare better than Manitoba because it has more resources, both provinces should experience modest growth in 1982.

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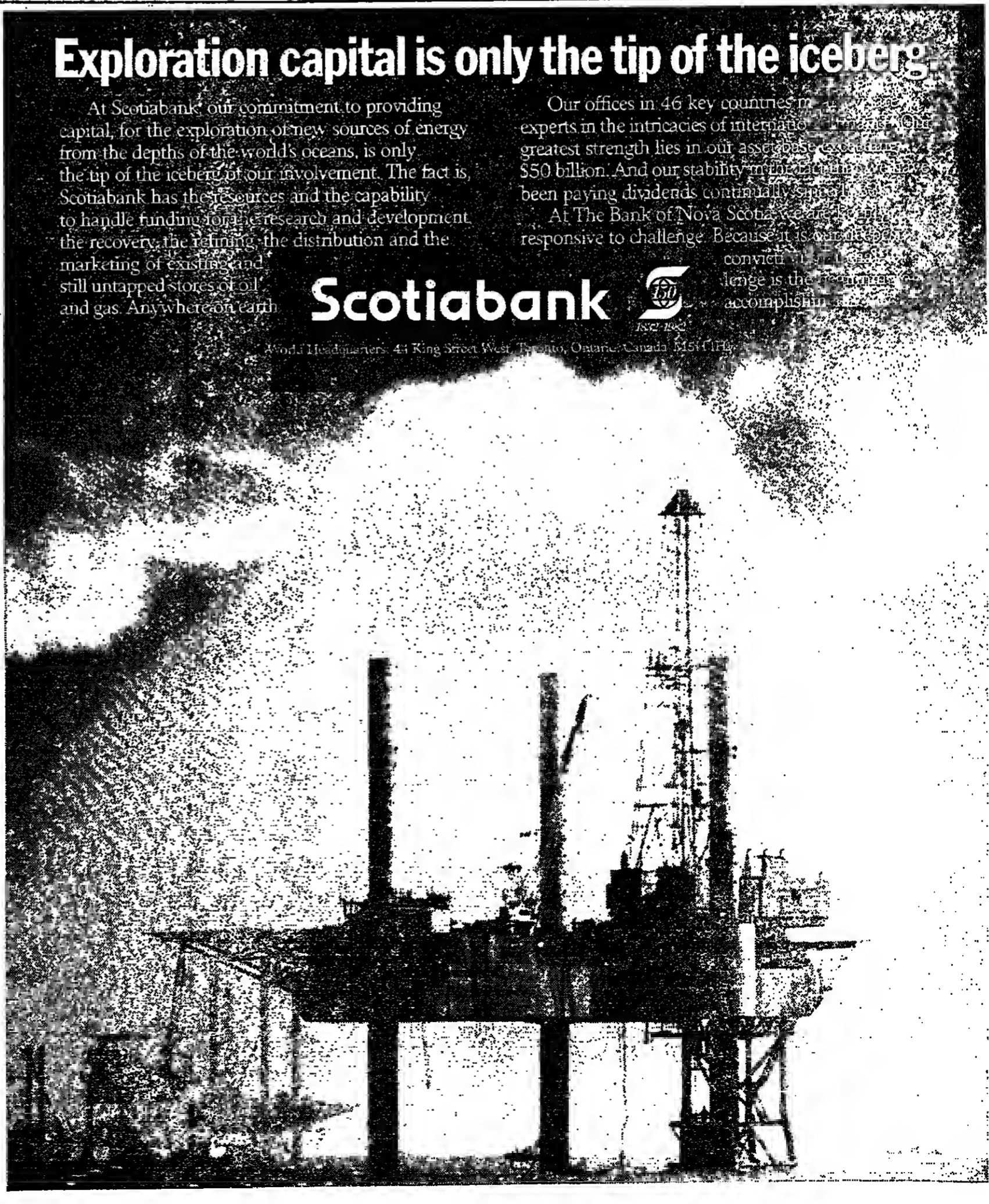
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CANADA VIII



The problem of stagflation is now more pressing than Quebec's constitutional row
Economic woes preoccupy Quebec

ECONOMIC WORRIES have become the most immediate preoccupation of the Quebec Government of Mr Rene Levesque. They are more pressing than its constitutional row with the federal Government in Ottawa and Mr Levesque's step-by-step approach to sovereignty or even independence for Quebec.

The Government has forecast a real growth rate of 1.3 per cent in 1982, but private forecasts indicate that Quebec will do well to manage 0.5 per cent. Unemployment has risen to 12 per cent.

The political implication is that electors may feel less certain about the attraction of living in a Quebec of their own, separated from Canada. Mr Levesque himself has always proclaimed that he wants sovereignty only in close economic association with Canada. When militants took over the conference of his Parti Quebecois last December he called for a postal ballot among the party members which produced a majority backing him, but also a high level of abstentions.

Fearful

The militants were aroused by Quebec's failure last year to defeat the constitutional reform proposed by Mr Pierre Trudeau, the federal Prime Minister. Always jealous of its rights, Quebec feared that they were of a centralist nature. Mr Trudeau rammed home his advantage by proposing changes to the country's fiscal system which would deprive provincial governments, that of Quebec in the forefront, of substantial budget-to-budget transfers from Ottawa.

Mr Levesque's dilemma is that the Parti Quebecois draws much of its support from civil servants and public-sector employees. Yet, like other Canadians, Quebecers have come around to the view that their public sector is too big and fat and too costly.

Quebec, with its 6.5m population, is the second largest province. Its total public sector is larger proportionately than any other in Canada. Public sector activities account for about 45 per cent of gross provincial product, against the national average of 41 per cent. The high proportion stems from efforts over the past 20 years

to modernise the economy, improve education, health and social services and spur growth to reduce unemployment.

Yet the economy is held tight in the grip of stagflation. Both Mr Levesque and his Finance Minister, Mr Jacques Parizeau, say the province can no longer afford to give public sector workers pay increases sufficient to keep up with inflation running at 12 per cent or to go on paying pensions at 70 per cent of retiring salary. Mr Parizeau admits that his budget deficit could be more than C\$3.5bn (about £1.6bn) for the year ending March 31 next, and might be more if the federal Government insists on cutting transfer payments. Health and welfare services are being cut as the provincial government slashes hospital and social welfare budgets.

This is a painful process for a government re-elected less than a year ago on the promise of more social democracy.

It knows it has a large measure of support from middle-class taxpayers. It had little difficulty last month in forcing back to work striking public transport workers in Montreal with special legislation and fines.

The province must now enter a prolonged period of austerity. The budget this spring may again raise taxes as well as cut expenses further, even though the corporate and individual tax burden, federal and provincial combined, is already the highest of any province.

The Government has tried for several years to stimulate personal saving and investment by small and medium-sized businesses through tax concessions and special provisions, and there has been some improvement in productivity. But progress has been halted by the recession. The giant James Bay hydro-electric project is past the peak of its construction and its support for the economy is declining. The Government is coming around to the concept of exporting permanent power supplies to the northeast U.S. and speeding up development of other rivers in the subarctic north of Quebec. But such projects cannot be turned on overnight.

The strongest industries are aerospace and components, electronics and controls, equipment

destined for the Western energy industries, engineered products and some light manufacturing. The traditional textile, shoe and clothing sectors are depressed and the primary sectors are not likely to improve until well into the second half of this year.

Aluminium for two years was a strong area because of heavy investment by Alcan Aluminium in smelter modernisation north of Quebec City but this has tailed off and primary input demand is under pressure.

Mr Levesque can expect little sympathy from Ottawa. His relations with the Trudeau Government have sunk to a low point following a Federal-Provincial economic conference which focused on transfer payments. He remains adamant that Quebec's final goal must be sovereignty with an economic



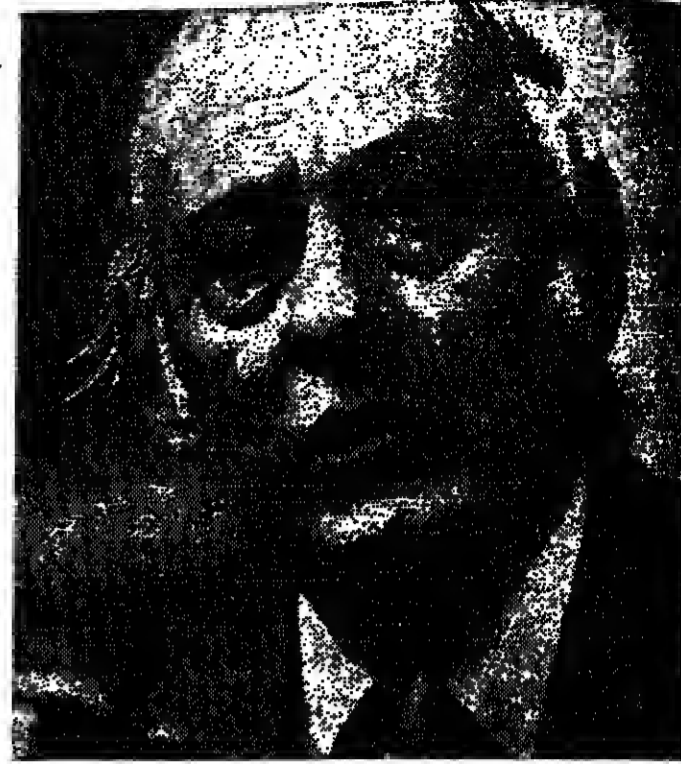
link with the rest of Canada, no matter how gradualist he must be because of economic conditions. But this must be achieved with due respect for the rights of the English-speaking minority of about 20 per cent. At the same time he has allowed his Education Minister to propose another reform of the schools which has anglophones, other minorities and constitutional groups up in arms with suspicion. They suspect that the real motive is further to enhance the role of French, the official language of the province.

Quebec's main hope for a further delay of the Trudeau constitutional package lies in a case it has put before the Quebec Court of Appeal. Whatever the ruling, the case is likely to go to the Supreme Court of Canada. Quebec is

arguing that by convention major Canadian constitutional changes require Quebec's approval because of a principle of Anglo-French duality in Canadian federalism. The problems with the Quebec economy stem only partly from the world recession. Private investment has also been discouraged by the provincial government's language, taxation and industrial policies, which tend to raise costs and inhibit labour mobility. The government's honeymoon with the big union federations, though tenuous from the start in 1976, led to suspicions that some labour and industrial legislation was deliberately anti-business and anti-employer. Late in 1979 the Montreal area, which represents about two-thirds of the provincial economy, began to look up and

about C\$500m of downtown office construction projects got under way. Federal grants helped to get manufacturing investment off the floor. Francophone and anglophone business leaders got together to try to bring new industrial projects to Montreal and to promote the city's claims as a supply and support base for the coming East Coast offshore oil and gas development boom. But private investment in the province remains low, running at less than half the rate of Ontario, itself no longer a booming province. A trickle of anglophones and francophones out of the Quebec towards the West continues unabated, driven away by high taxes, the language laws, and the poor business outlook.

Robert Gibbens



Premier Rene Levesque: outmanoeuvred but still fighting Mr Pierre Trudeau's constitutional plans

Four premiers react strongly to cuts in federal transfers

Anger in the Atlantic Provinces

The discovery two years ago of the Hibernia offshore field, Canada's largest single oil field, 186 miles east of St. John's capital of Newfoundland, did cause a flurry of real estate speculation both there and in Halifax, the Nova Scotia capital. Primes rose by between 15 per cent and 40 per cent. Investors, particularly Europeans, continue to show active interest both in commercial properties and land in these two provinces, but for the most part excitement over the long-promised "oil boom" was short-lived.

Deterioration

A marked deterioration in local business conditions, resulting from last summer's unprecedented rise of interest rates, diverted attention from oil related investment opportunities to the more pressing, immediate task of corporate survival.

The Crosbie group of St. John's, a large diversified business organisation that had invested heavily in offshore servicing, was among a long list of local businesses caught by the economic downturn. While its offshore division survives, the company was forced to dispose of its important shipping, trucking, publishing and heavy equipment subsidiaries.

While few doubt the significance of future oil developments, the question increasingly being asked is, who will be around to see it happen? The answer on the outcome of a dispute, which has gone to the courts, between Ottawa, Nova

Scotia and Newfoundland about the ownership and future administration of the oil.

With east coast reserves now estimated at 12.7bn barrels of oil and 100 trillion (million x million) cubic feet of gas, the stakes are high. Newfoundland is taking a tough stand on full ownership and control. Nova Scotia has chosen a more flexible attitude.

Besides its own reserves, oil from the Arctic could be a major spur to Atlantic region development. Doms Petroleum of Calgary, has identified three possible sites in Nova Scotia for the construction of a C\$300m shipyard to build 25 icebreaker tankers to transport oil from the Beaufort Sea to markets in eastern North America and Europe.

With total requirements for about C\$9bn of ships, rigs and related marine equipment, the company could provide work not only for its own shipyard, but for other industries in the region.

Domination Bridge/McDermott, a Canadian-U.S. joint venture, is investigating the possibility of establishing a yard in the Sydney area of Cape Breton to produce fixed base steel jacket production platforms for the offshore industry. These prospects could speed progress on a C\$300m modernisation underway at the Sydney Steel mill. A new heavy plate mill may also be built.

New Brunswick is also heavily involved in offshore support work. Saint John Shipbuilding and Dry Dock there expects to deliver large offshore rigs at the rate of one every six months over the next 34 years. Owned

by the Irving oil group, it is the region's largest and most successful shipyard.

Two groups of companies, Gulf Canada and Petro-Canada, and Mobil Canada and Nova Scotia Resources are examining Nova Scotia's suitability for petrochemical production, using Arctic and local hydrocarbon sources and the liquefaction of Nova Scotia's vast coal reserves.

Recent offshore drilling has shown these reserves to be among the largest coal fields in the world. In a plan to increase production to at least 10m tonnes annually by the end of the decade, the federally-controlled Cape Breton Development Corporation has a mining expansion programme underway and there is a possibility of major private sector investments in the industry this year.

Electric power generation features high among the list of big Atlantic regional mega-projects.

Priority

As they have the best political visibility factor, these big, so-called mega projects will receive priority support under Ottawa's new industrial strategy. Exactly which will find favour, however, is not known.

One industry that will most definitely be looking for federal financial aid is fishing, which employs 85,000 people in the Atlantic region and Quebec. Several of its largest corporate groupings are on the verge of bankruptcy. Ottawa recently made available C\$15m in emergency aid for the industry. But

industry sources say as much as C\$250m in immediate additional aid may be needed to avert a major collapse.

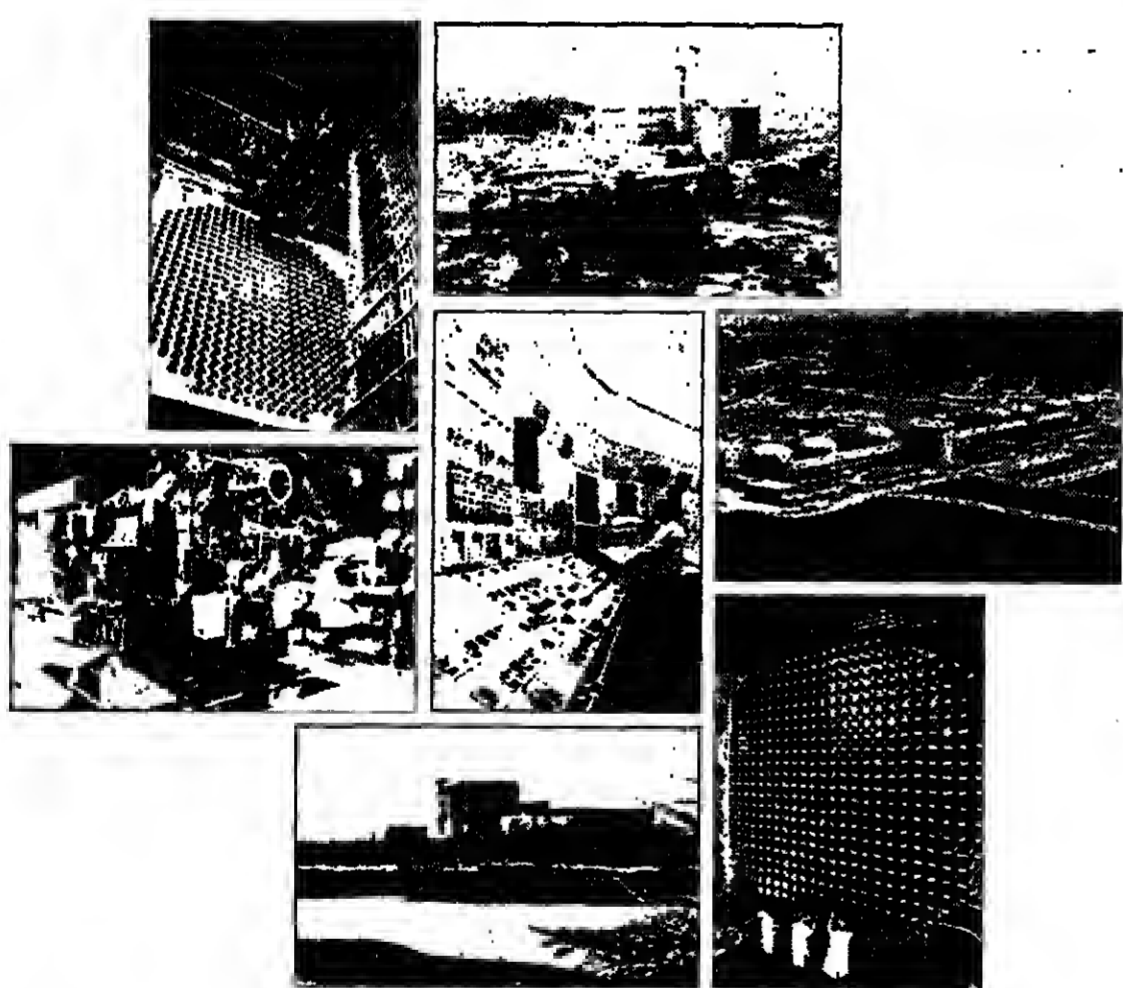
High hopes were laid out for fishing five years ago, when Canada proclaimed its 200 mile extended economic zone. But confusion by the Federal Government as to whether it expected the industry to act as a social crutch or an internationally competitive fish marketer led to a succession of losses.

In an attempt to gain greater international market penetration, Ottawa recently signed a six-year agreement with the European Economic Community allowing community ships renewed access to Canadian waters in return for more favourable tariff treatment.

The agreement has been heavily criticised by the Canadian trawler owners as "the thin edge of a wedge" that will ultimately lead to a return of massive foreign over-fishing in the Canadian North Atlantic.

Equally troubled is the big forestry industry of the region. The maritime lumber bureau says markets in Britain, the United States and even domestically have all but disappeared. As a result, scores of mills have closed and some companies are bankrupt.

These immediate difficulties, added to Ottawa's cutting down of direct financial support to the provincial budgets, have reinforced local suspicions that megaprojects, for all their spectacular nature, are by themselves a sufficient basis for broadly based economic growth. Lyndon Watkins



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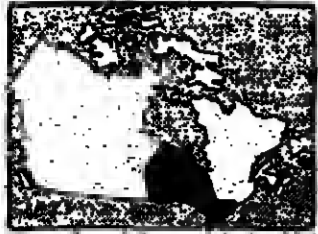
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CANADA IX

Ontario's economy faces severe shocks. Report by Roderick Oram

A hard-hit province



THE ONTARIO economy, like the national one, is nearing the bottom of a boom-bust cycle of unusual intensity and brevity. The impact has been made all the more severe because, as Canada's main manufacturing region with limited energy resources of its own, Ontario has been losing ground to the West with its oil and gas riches.

Cyclical troubles apart, it must adapt to the rapid rise of energy prices. But in the longer run, the underlying strength of the Ontario economy and its ability to cope with structural adaptation look unimpaired.

The upturn from the last recession lasted only 14 months until August 1981. Growth hit an annual rate of about 5 per cent in the first half of last year fuelled mainly by higher exports, and falling interest rates set off a brief surge in housing starts and increased spending on durable goods.

Interest rates bottomed out in the summer and suddenly began to rise again, mostly in sympathy with U.S. policy. The Bank of Canada had to keep Canadian rates a few points higher than the rising U.S. ones to sustain the capital inflow.

Throughout August and September many businessmen seemed to ignore the dampening threat to demand of rising interest rates. By mid-September Ontario's output had to take a sudden plunge to come back into line with demand. Exports, particularly to the U.S., and many interest-sensitive products such as cars and housing, led the way down. Furniture sales, for example, halved between October and November.

False start

A wave of layoffs and redundancies swept across the province, cutting its manufacturing workforce from a peak of 1,061,000 in August to barely 1m in December. The sector's employment fell nearly 6 per cent in December alone and the bottom is not expected until the end of the winter.

The fall in demand would have warranted larger job cuts but instead manufacturers rapidly added to their inventories. Durable goods inventories as a ratio of shipments reached 2.53 in September at the national level (Ontario accounts for half of Canada's manufacturing) compared with a more usual level of 1.9.

The economic fundamentals did not warrant such a rapid first half expansion or the sudden second half plunge. The year got off to a false start

with people making a lot of bad decisions thinking the economy was stronger than it was," according to Mr Peter Gusek, director of regional economic forecasting at the Conference Board of Canada, an economic research organisation.

"It was baffling that people did not react earlier," said Mr Paul Kovacs, economist for the Canadian Manufacturers Association. "We kept saying that the growth was too fast for the fundamentals. Later we said the economy should have

rate rise in late summer they fell to 28,000 in the fourth quarter.

The automotive sector, almost exclusively in Ontario, and accounting for roughly 20 per cent of the province's manufacturing capacity, demonstrated more resilience than its U.S. counterpart and some other sectors. Canadian production of cars and trucks edged down to 1.31m last year from 1.38m in 1980, a drop of 28 per cent from the peak level in 1978.

Canadian sales of North

american cars (including some imports from U.S. plants offset by exports to the U.S.) dipped to 1.2m from 1.3m in 1980 and 1.38m peak in 1978. But non-North American imported cars have been taking a rapidly growing share of the market, according to the Motor Vehicle Manufacturers' Association.

The vehicle makers, local subsidiaries of the four main U.S. producers, benefited from being the sole producers of some models popular south of the border. Mr Norman Clark, vice-president of the MVMA, said:

"Within the annual vehicle figures there was some bad news. Because production schedules were high at the beginning of the year in anticipation of strong sales, there were widespread temporary plant closures at the end of the year to help lower inventories. The Ontario Government also had to drop the tax in October on sales of 1981 model cars to help clear the dealers' stocks.

The protracted cyclical downturn in the automotive industry coupled with some structural changes has proved an enormous setback for some Ontario towns. Windsor, for example, across the Detroit river from the centre of the U.S. car industry, is severely depressed. Although the carmakers have put some new investment into Windsor plants, other facilities have closed or are limping along on reduced output.

An additional impact on the economy was the energy pricing agreement signed in the autumn by the federal and provincial governments. This will continue to raise energy prices.

Long-term, the agreement was sensitive, according to Mr Hugh Segal, assistant secretary to the Ontario Cabinet for federal-provincial relations. It cleared the way for a number of large energy projects, mostly outside Ontario, by establishing their pricing framework. This in turn should give a fillip to steel, construction and other related sectors in which Ontario is strong.

These energy and other resources projects over the next decade should underpin an average 4 per cent annual real growth of the provincial economy, Mr Kovacs of the CMA said.

The pricing agreement should have the additional long-term effect on the economy of giving the Federal Government a larger share of expanded energy revenues, Mr Segal said. The next step, already under way, is to thrust out formulae to distribute the money to all parts of the country. In particular, Mr Segal believes Ottawa should forge a national industrial strategy now that it can afford to fund one.

Ontario is impatient with Ottawa's lack of action so far because the province feels it has developed a provincial industrial strategy through its BILD programme, an acronym for Board of Industrial Leadership and Development.

Election ploy

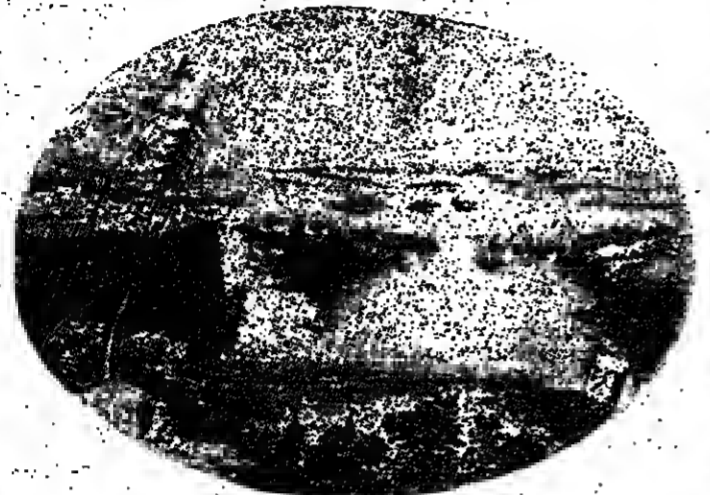
In part this was an election ploy when there was widespread electoral concern about Ontario's economic future. So far BILD has designated 78 development projects costing \$1.5bn over the next five years. Half the money will come from the redistribution of existing government funds plus money from the private sector and other levels of government. The other half will be new provincial government funding.

In this fiscal year ending March C\$145m of provincial government funds and C\$275m from other sources will be spent. The key areas for the programme are: development of electrical power; improved urban mass transit; development of the resources sector; upgrading of export performance and industrial technology; maximisation of human resources; and improving the infrastructure of communities.

For example, C\$30m will be spent over the next decade on a biotechnology joint venture with the private sector; C\$125m on major road improvements in the urban corridor around the west end of Lake Ontario; and more than C\$100m on a Toronto convention centre.

The province's Progressive Conservative government has basically balanced its books in recent years but it is facing a budget deficit of about \$1bn, or 5 per cent of the budget, in the fiscal year just about to end because of the recession's impact on revenues.

But running a deficit is not a reversion to Keynesian economics, according to Mr Tom Campbell, the province's deputy minister of finance. The Government has long believed that the province can afford to develop the provincial infrastructure on some borrowed money because future generations will be benefiting from the projects as they repay the loans.



The settlement of Bytown on the Ottawa River, as drawn by William Hunter in 1855, two years before Queen Victoria chose it to be Canada's capital, now called Ottawa

already turned down so when it did, it did so with a bang."

The Federal Government's Budget in the autumn did not cause the downturn, according to Mr Laurent Thibault, executive vice-president of the CMA, although it was widely criticised for failing to deal with the looming recession. There were Budget actions which did, however, compound problems. A reduction in capital cost allowances, for example, cut corporate cashflows by about C\$1bn a year, contributing to the 10 per cent to 15 per cent fall in real terms of new corporate capital spending at a national level.

If there was any single culprit for the boom-bust cycle it was interest rates. Mortgages, for example, peaked at about 21.75 per cent in August and the effect on Ontario's housing starts was dramatic. From 34,000 starts on a seasonally-adjusted annual basis in the third quarter of 1980, they rose to 65,000 in the second quarter of last year, compared with 100,000 in boom year. But because of the rapid mortgage

American cars (including some imports from U.S. plants offset by exports to the U.S.) dipped to 1.2m from 1.3m in 1980 and 1.38m peak in 1978. But non-North American imported cars have been taking a rapidly growing share of the market, according to the Motor Vehicle Manufacturers' Association.

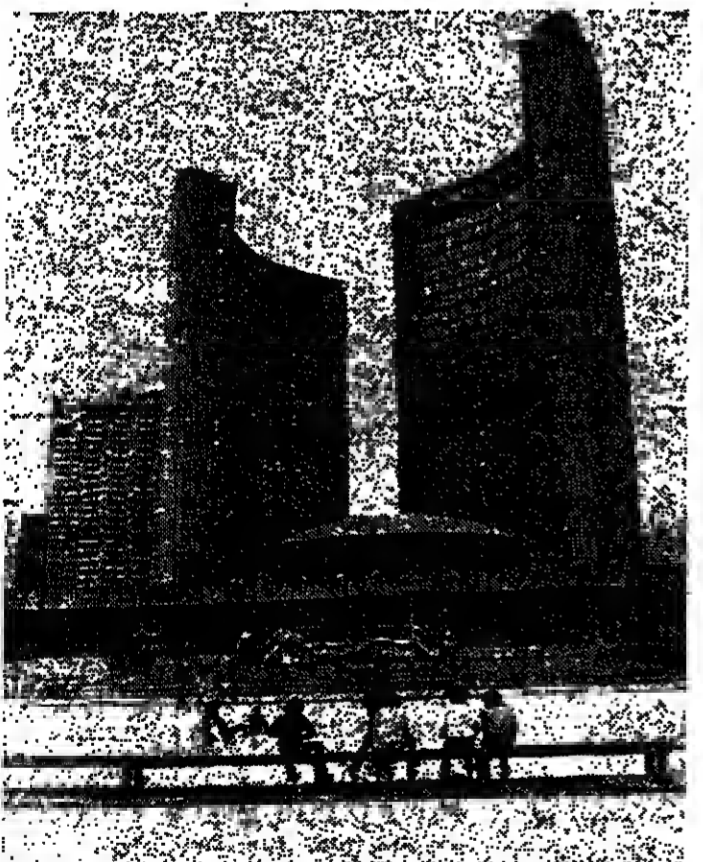
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Tackling the problems of a boom-bust economic cycle: Mr Bill Davis, provincial Premier of Ontario for the past 10 years. Ontario provides 80 per cent of Canada's manufacturing exports. Left: City Hall, Toronto



Increasing investment in aviation

CANADA is now investing heavily in the development and production of light transport aircraft for the future, particularly in the business jet and commuter airliner categories. The aerospace industry is small, but active, with the major companies—Canadair, de Havilland Canada, Pratt & Whitney Canada and Hawker Siddeley Canada—collectively employing close to 27,000 people, on a wide range of civil and military programmes.

Caradair, employing about 6,500 at St Laurent and Dorval Airport, Quebec, is now busy on development and production of its Challenger twin-engine business jet aircraft, and its CL-215 twin-engine amphibian aircraft designed for fire-fighting from the air and a wide range of other tasks.

Canadair is now building the 19-seat Challenger business jet at a rate of about three aircraft a month, and this is to be raised during 1982 to five a month. So far, the company

has delivered nearly 30 Challengers, and the outstanding order book, including options, stands at over 150 aircraft.

According to Mr Fred Kearns, president, the Challenger is a winner and we believe we will be in production on what will be a family of Challengers right into the 21st Century.

The standard CL-600 Challenger with Avco Lycoming engines is to be complemented by the CL-601 version with General Electric engines which is due to fly this April.

The CL-215 twin turbo-prop utility amphibian is designed to operate from small strips, lakes and open sea, carrying water for fire-fighting purposes, although it can be easily adapted for a wide range of other transport tasks. With 65 already built, production of the fourth batch of aircraft, from No 66 on, is now under way.

Mr Kearns says that this aircraft is doing well in the market, "and I hope soon to be able to announce further sales to current operators as

well as some new customers." Canadair also has extensive sub-contract work on hand, including the airframe for the Boeing 787 twin-engine transport and for parts of the fuselage for the Boeing 747 SP (Special Performance) long-range airliner.

On the military side, the company has sub-contracts for parts of the McDonnell Douglas F-15, the McDonnell Douglas/Northrop F-18, the Lockheed C-5A Galaxy freighter and the Northrop F-5 fighter.

Mr Kearns commented recently: "For the first time in our 37-year history, I believe we have achieved the kind of long-term stability and the optimum use of our technical and material resources, that we've been trying to achieve all these years."

"We now have an ideal mix of business in the civil and military fields and in sub-contract work. We hope to maintain employment at our current level, and our position as one of the largest single

employers in the manufacturing sector in Quebec for many years to come."

De Havilland Canada, of Downsview, Ontario, which employs about 4,700, has for many years specialised in the development of short take-off and landing (STOL) aircraft, such as the highly successful 19-seat Twin Otter, of which well over 700 have now been sold. In addition to continuing production of this aircraft, DHC is now well into production of its 50-seat four-engine Dash 7 quiet STOL turbo-propeller airliner, of which well over 100 have been ordered.

Furthermore, the company is now developing the new Dash 8 twin-engine 38-seat airliner, to complement the Dash 7 in the expanding market for commuter-type airliners. With orders already well over the 100 mark for the Dash 8 production of the aircraft is on schedule, for roll-out and first flight in

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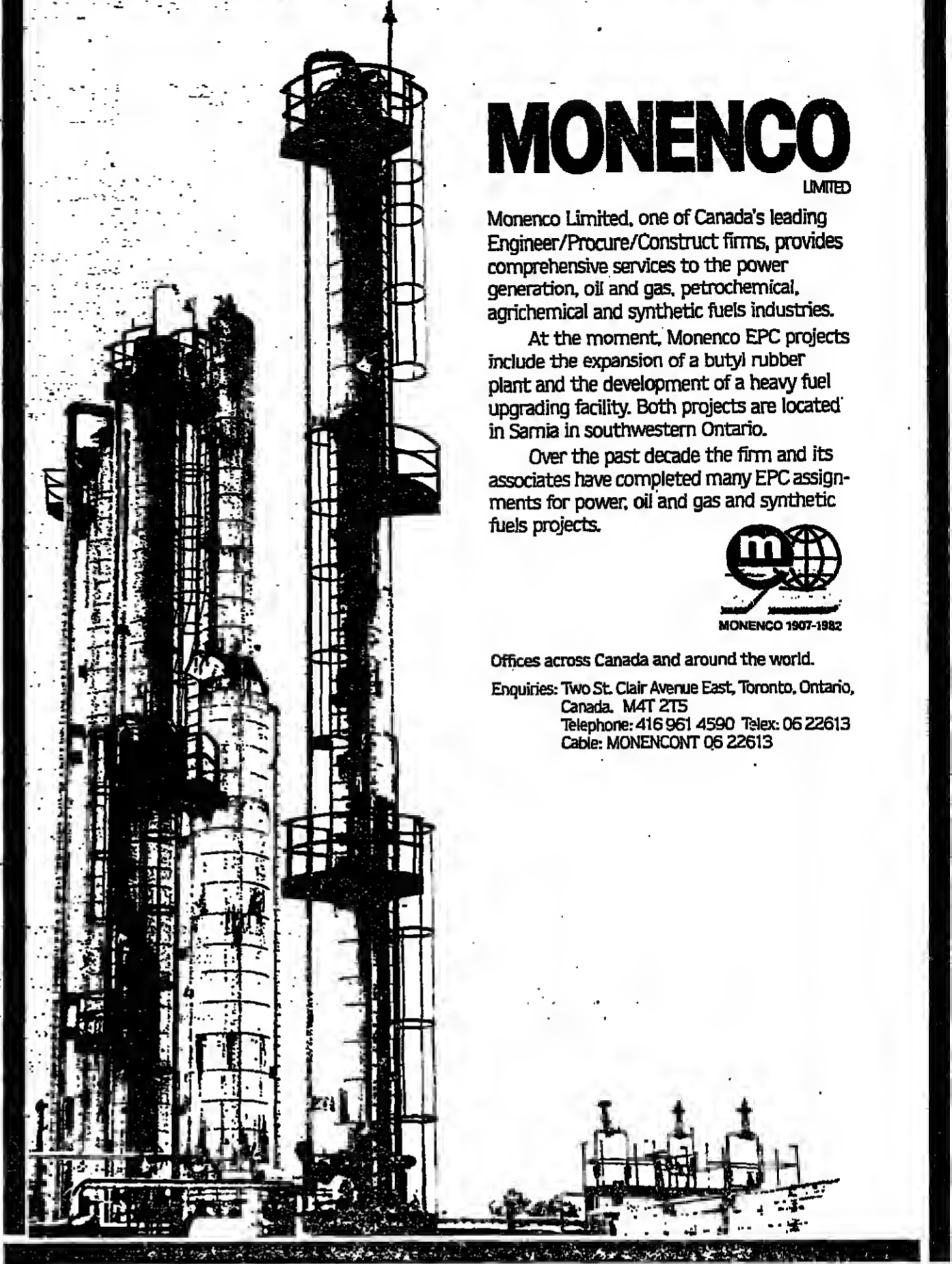
At the moment, Monenco EPC projects include the expansion of a butyl rubber plant and the development of a heavy fuel upgrading facility. Both projects are located in Sarnia in southwestern Ontario.

Over the past decade the firm and its associates have completed many EPC assignments for power, oil and gas and synthetic fuels projects.



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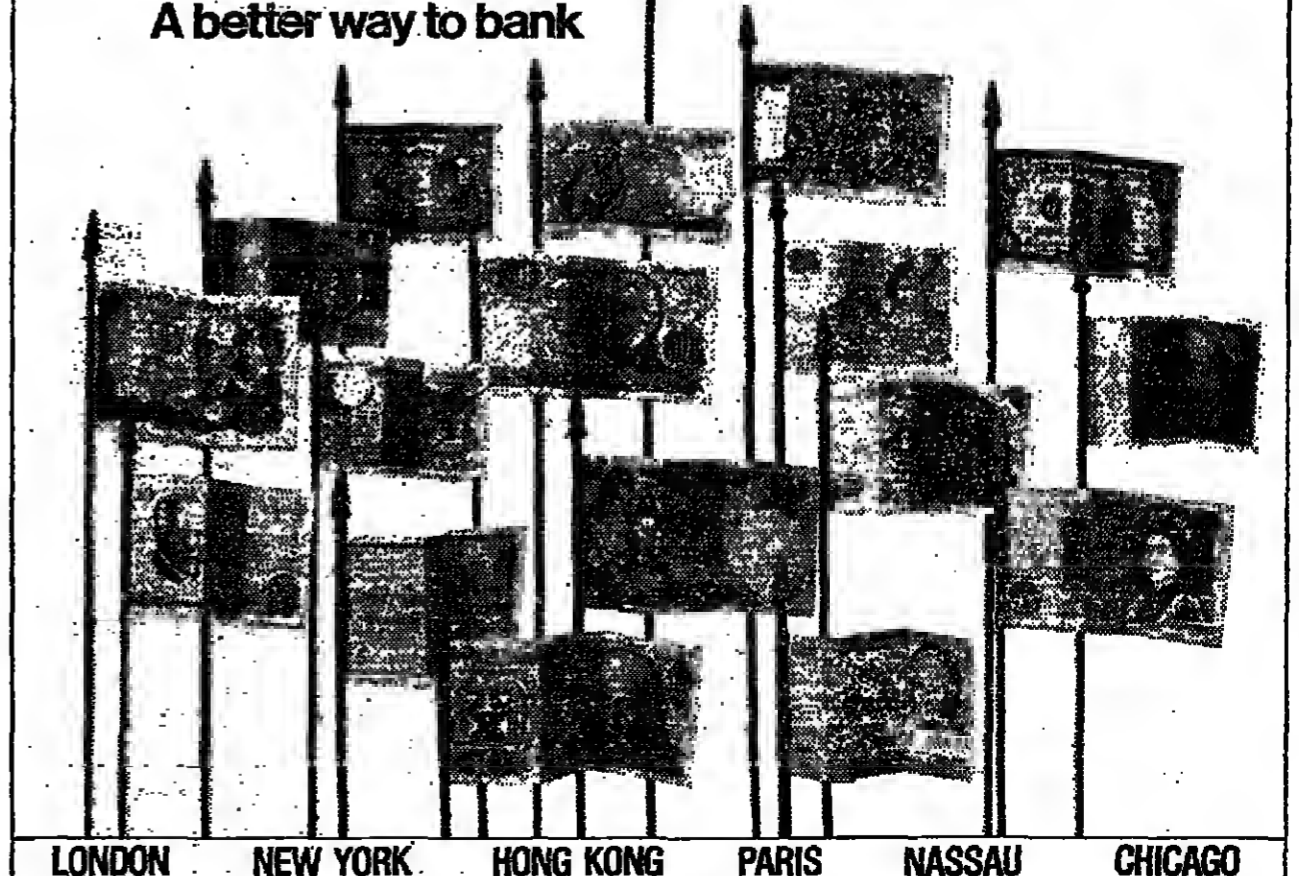
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CANADA X

Jeff Sallot explains why interest is being rekindled in the Yukon and N.W. Territories

Oil and gas searches fruitful



**STRETCHED ACROSS** the top of the North American continent, Canada's north is a vast, frigid, forbidding, mineral-rich but sparsely populated wilderness.

It is relatively unknown to most Canadians, even though the Yukon and North West Territories with a total land mass of 3.8 sq kms, make up almost half of their country.

Only 66,000 people, most of them aboriginal natives, live in the North. The far North is famed for Eskimos, Indians, polar bears, and the Klondike gold fields of the Yukon. But until very recently the arctic has been isolated and all but forgotten by the populated and industrialised Canadian South.

Even the distant early-warning radar stations, once the first line of North American defence against a possible attack across the North Pole, have diminished in importance and seem to most Canadians as much a part of romantic history as the tales of the Klondike gold rush, the mad trapper of Rat River, and the lost patrol of the Royal North-West Mounted Police.

**Energy resources**

Canadian interest in the Arctic is being rekindled by new discoveries of oil and natural gas in potentially large quantities. The North's energy resources figure prominently in the Federal Government's plans to rid Canada of Opec oil imports as soon as possible.

There is serious political conflict, however, between the North's aboriginal native population and the central Government in Ottawa.

Native groups insist that there can be no large-scale development of northern resources until their land claims are settled.

Unlike the Indians in the southern provinces, northern Indian tribes and the Eskimo have never signed treaties with the Crown surrendering title to their land, and the native peoples have been free to hunt, trap and fish in their traditional ways for untold generations.

Negotiations aimed at extinguishing land claims have dragged on for almost a decade. Last December, the Federal Government announced that it was renewing its efforts to settle claims with offers of compensation for the loss of the traditional use of lands now needed for resource development.

Ottawa is offering cash, a share of the proceeds from oil and gas sales and clear title to large tracts of reserve lands for those who wish to pursue their traditional way of life.

The native peoples, however, are demanding a degree of political autonomy and the right to establish governments along the lines of the southern provinces.

The Yukon and the Northwest Territories now fall under federal jurisdiction. Although there has been limited devolution of powers and administrative responsibilities to locally-elected assemblies in recent years, ultimate authority rests with the Federal Parliament in Ottawa.

The Federal Government appoints a commissioner for each of the two territories. The commissioners have statutory powers not unlike those held by colonial governors at the height of the British Empire.

The Indians and Eskimos arrived in North America from Asia centuries before the first Europeans. The land they found was rich with wildlife and fish.

The Indians tended to stick to heavily forested hunting grounds while the Eskimo or Inuit as they call themselves remained along the Arctic Sea coast and on the barren tundra north of the tree line.

Life in the Far North can be harsh—at the highest latitudes there is almost total darkness for much of the winter. Lakes and rivers begin to freeze by October and ice does not break up until June. It is not uncommon for temperatures to remain below minus 40 degrees centigrade for weeks at a time.

The short summers are gloriously bright with 24 hours of daylight, permitting the tundra to blossom with wild flowers and other delicate vegetation within a matter of days.

There is no agriculture because only an inch or two of topsoil thaws in the summer. The rest remains permanently frozen. Water and sewage pipes in northern settlements have to be built above ground and encased in insulated housings.

Vegetables and dairy products are flown in from the South at high cost. But fresh fish and game are readily available.

Inuit hunters stalk polar bears and muskoxen on the polar ice cap and along the sea coast. They use high-powered rifles and they travel far from their settlements on motorised

snowmobiles. The hunters are away from home for weeks at a time and seek shelter from sudden blizzards by building igloos, the dome-shaped snow houses.

During the summer months the Inuit hunt beluga whales in the shallow waters near the coast and in the estuary of the Mackenzie river.

Wild caribou, a close cousin of the reindeer, are hunted at all times of the year by both the Indians and the Inuit.

followed closely by Christian missionaries and then the prospectors who set out for the Klondike gold fields by the thousands in 1898.

Mineral exploration and mining remain the major source of private sector wage employment in the territories.

In increasing numbers, the native peoples are finding jobs in the wage economy. Some are abandoning life on the land entirely.

Others alternate periodic

welfare and long for the day when they can share revenues from oil and natural gas sales.

Many of them fear, however, that unless they can control their own political institutions they will lose their distinct cultures. More than a dozen Indian and Inuit languages and dialects are spoken in the North.

But in some of the larger communities, such as Yellowknife, administrative capital of the north-west territories, only the old people have retained their

for licences to operate native-language radio and television stations.

The accelerating pace of energy exploration is bringing improvements in air service. The two territorial capitals, some of the larger communities, such as Inuvik and Tuktoyaktuk, the staging areas for oil companies in the western Arctic, are served by commercial flights from the south daily.

Helicopters and small bush planes are the only mode of travel to the scattered smaller settlements. Even then, winter blizzards and other bad flying conditions can cut off a community for up to three weeks.

While awaiting the energy boom, the northern economy is kept afloat by federal Government spending and the mildly optimistic prospects for the mining industry. Present world prices for precious metals keep the gold and silver mines going even though the most promising ore bodies were staked and worked decades ago.

**Downturn likely**

Several new lead and zinc mines are about to go into production. Uncertain world prices for these minerals, however, are expected to produce a downturn in exploration this year.

Tourism is growing because access is becoming easier and because more and more Canadians want to see their exotic northland while it is still relative wilderness.

In 1979, the federal Government completed the first gravel road to the Arctic coast. Sometimes it is closed to give way to caribou migrations. During the summer two ferry crossings complete the link for supply trucks and the adventurous tourists from the south who wish to motor across the Arctic circle. A few wider roads are created in winter by ploughing the snow off the ice.

The hard life and the remoteness of complete modern hospital services have contributed towards keeping the life expectancy of the northern peoples well below the Canadian average. Sadly, they sometimes describe themselves as inhabitants of the last remaining crown colonies in North America.



Fish and furs first drew the white man to an inhospitable Canada. This 17th century print shows the old way of life which still survives in the North

Indians also trap beaver and hunt wolves and foxes. The pelts are sold to the Hudson's Bay Company and other merchants.

Caribou hide is still used for clothing. However, many of the northerners purchase most of their clothing and some food from the fur trading companies.

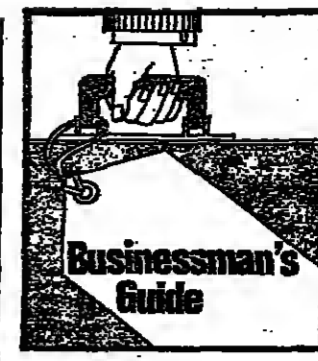
Caribou and whale meat are the chief source of food in only the most isolated settlements.

There has been a tremendous change in lifestyles since the earliest contacts with white men in the 19th century. The fur traders were the first to arrive,

own language. Few aboriginals are qualified to teach, and almost all schooling is in English.

The tribal elders are seriously worried about the influence of radio and television. All of the communities now receive the northern satellite service of the Canadian Broadcasting Corporation. Most of the programmes are in English.

The CBC has only a small corps of native language broadcasters. More are being trained and many settlements are applying to the federal government



**CANADA** labours under the burden of a much larger southern neighbour. A visitor finds that, on a superficial level, the country runs in much the same fashion as the U.S. But failure to seek out and savour the difference between the countries is likely to upset Canadian hosts and deny the visitor an appreciation of the country's unique culture and history.

Some selective reading before a visit is helpful: Canadian diplomatic posts abroad receive such publications as the Toronto's daily *Globe and Mail*.

In addition, try the novels of Robertson Davies, the history books of Pierre Berton and the chronicles of the Newman establishment by Peter Newman.

But, all the same, business is done in Canada in much the same fashion as the U.S., if perhaps a shade more formally.

Go well prepared with answers to all possible questions about your products and company. In particular, Canadian companies might be less used to dealing with foreign businesses than Europeans. They might, for example, be unfamiliar with the paperwork of foreign trade, even if they do deal across the U.S. border.

So, be able to quote them prices to their doors and be able to put them in touch with customs brokers and freight forwarders.

Information on potential customers or suppliers is readily available from sources ranging from the organisations listed below to comprehensive Yellow Pages in all cities.

January (and July) temperatures are: Toronto—4 centigrade (22); Montreal—6 (22); and Winnipeg—18 (30); and Vancouver 2 (37).

But Canadians keep themselves cosy indoors and in public transport, so British clothes are perfectly adequate with a few additions. In winter take a heavy overcoat, lined gloves, a hat that covers your ears and rubber overshoes, but wait to buy the last item in Canada where there is a better selection and price. In summer, take light-weight clothes.

Social customs barely differ from Europe, although they are much less formal, starting with instant use of first names. To ease the first few moments of chaperon in meetings be sure to read the sports pages of the local newspaper over breakfast. Canadians love their sports, so its much better to talk about the fortunes of the local team than the weather which, by the middle of winter or summer, is an extremely old topic.

**Attractions**

There is no shortage of good dining and entertainment in the big cities. Toronto, for example, is home to an international-standard symphony, ballet and opera with good theatre in town all year and down the road at Stratford, Ontario, during the summer.

Comprehensive leisure, entertainment and dining guides are published in all main towns in newspapers and magazines.

The countryside is one of Canada's most impressive attractions; try to make room in your schedule to experience some of it. Weekend trips from Toronto, for example, can enable you to reach northern Ontario and even to the shores of Hudson's Bay by train.

Health services are highly proficient, but also very expensive, so be sure to have health insurance before leaving home.

The Foreign Investment Review Agency looms large if you are planning to set up business in Canada or to buy a Canadian company. Understanding what the agency is demanding of you is rather like the blindfold party game of trying to decide what an object is from touching a small part of it: is it a table or an elephant?

It is wise, therefore to hire a lawyer versed in FIRA's ways, or at least be in easy and close contact with the agency. Its Ottawa telephone number is 613 995 9449. The British Department of Trade's Commercial relations and exports division in London 215 3364 can also help you understand the best.

**Appointments**

Business hours are generally 9 am to 5 pm, five days a week. But out west, they often try to keep eastern hours so, for example, Calgary's rush hour traffic peaks at 7.30 am. Try to avoid appointments on Friday afternoons, particularly in the summer, because many Canadians make an early start to the weekend to get out into the country.

French is an asset in Quebec, more necessary the further away you travel from Montreal.

Hotels, travel and communications are simple to arrange and generally good value. Montreal, for example, ranked 12th in last year's Financial Times guide to business travel. With an index fixed on London at 100, Montreal was 108.65, compared with 133.41 for New York.

A single room, without breakfast, can cost from \$60 to \$100 a night in a hotel of reasonable standard.

Telephone and telex calls are cheaper than in Europe and are easily placed. If you envisage a lot of calls, a telephone credit card from your local telephone area manager is useful, as is a telex card from Cable and Wireless in London (242-4433).

Canada's climate is often extremely harsh. May and September are the prime months for visit because winter and summer temperatures are uncomfortable. The average 1785; and Italy, 232 2401.

Other useful organisations include:

- Canada-UK Chamber of Commerce, London 930 2794.
- Canadian Chamber of Commerce, Montreal (514) 886 4344.
- British-Canadian Trade Association, Rexdale, Ontario, (416) 234 5396.
- Canadian Importers Association, Toronto (416) 862 0002.
- Canadian Manufacturers Association, Toronto, (416) 363 7261; plus boards of trade (ie chambers of commerce) in all large towns and specialised bodies, such as the Canadian Electrical Distributors Association.
- Address of similar groups are available through Canadian trade commissioners in embassies and high commissions.
- Canadian diplomatic posts: London, 629 9492; Paris, 723-0101; Bonn, 2321061; Rome, 864-327.
- Foreign diplomatic posts in Ottawa (telex code 613); Britain, 237 7630; eWet Germany, 232 1101; France, 232 1785; and Italy, 232 2401.

Meet an Innovator



Dennis Jones with some of the equipment at POS Pilot Plant Corporation.

Meet Dr. Dennis Jones, director of the POS Pilot Plant Corporation, located at INNOVATION PLACE Research Park in Saskatoon. The POS (protein, oil and starch) plant is a major test facility for food products for an international clientele.

What are the benefits for Dennis Jones of being part of INNOVATION PLACE?

"The environment is very conducive to research and development. We can find within the confines of the park other groups with similar interests and purposes — particularly at the University of Saskatchewan. We have a high level of both formal and informal collaboration with many university departments."

Adds the British-born scientist, who is involved with the performing arts in his spare time, "The combination of a large university and a small city also creates a delightful environment to live in."

INNOVATION PLACE, located adjacent to the University of Saskatchewan in Saskatoon, offers a unique location for research and development in life sciences, micro-electronics, agri-business, and energy and mining.

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A project of the Saskatchewan Economic Development Corporation.  
Dr. R.C. Quinterton  
Executive Director  
241 Second Avenue South  
Saskatoon, Saskatchewan  
Canada, S7K 1K8

Aviation projects

CONTINUED FROM PREVIOUS PAGE

mid-1983. Deliveries will start in 1984.

The company expects employment on the Dash 8 programme to rise steadily through 1982 and beyond, eventually reaching over 4,000 when full production is reached in 1984-85.

In addition to the Dash 7, Dash 8 and Twin Otter programmes, DHC continues to build the DEC-5D Buffalo twin-turbo-prop STOL utility transport for military customers world-wide, together with its civil variant, the DEC-5E Transporter.

For the longer term, DHC is considering derivatives of several of its aircraft, including a possible development of the Twin Otter, and a 60-80 seat development of the Dash 7, for the mid to late 1980s.

Canada is also one of the world's biggest suppliers of turbo-prop engines for light transport aircraft from Pratt and Whitney Aircraft of Canada, of Longueuil, Quebec, a part of the U.S. United Technologies group.

The company employs about 7,700 and, to date, has delivered more than 20,000 engines, most of them turbo-props of the PT-6 series, an engine which is currently used in more than 6,000 aircraft of 74 different types of world-wide.

**Be prepared**

Pratt and Whitney Canada is now developing the new PW-100 Series of turbo-propeller engines for the new generation of commuter airliners now under development in many countries. Versions of this engine will power the Brazilian Embraer Brasilia, to enter service in late 1983, while a more powerful version will be used in the new de Havilland Canada Dash 8 when it enters service in 1984. Another version will be installed in the Aerospaciale/Aeritalia ATR-12, while British Aerospace and Packer are both studying the PW-100 Series as possible powerplants for new versions of the BAe 748 and F-27 airliners, respectively.

The Canada Division of Hawker Siddeley Canada, at Toronto Airport, is involved in the manufacture, repair, overhaul and technical support of jet engines for the Canadian Armed Forces, and also undertakes manufacture under sub-contract for aero-engines in production elsewhere. Orenda supplies engine parts to countries as far afield as Belgium, West Germany, Italy, the Netherlands, Norway, Pakistan, the U.S. and Venezuela. Other companies in the Canadian industry include Boeing

of Canada, which is working on the improvement of Search and Rescue helicopters for the Canadian Government's Search and Rescue Capability Upgrade Project (SARUP).

There are several smaller companies, such as Avions Robin Canada (which assembles and markets some models in the current French Avions Robin range of small, high aircraft); North West Industries, Canada's largest and most experienced aircraft maintenance, repair, overhaul and modifications company; and Zenair of Nobleton, Ontario, which builds small, light aircraft.

Michael Donne

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FOREIGN AFFAIRS

The lesson Europe must learn

By Ian Davidson

IN THE past few months, friction between Europe and the United States has been setting steadily sharper. It is premature to talk of anything like a full-blown crisis, but the trend of events contains all the elements for a further deterioration.

On this side of the Atlantic it has become increasingly commonplace to lay most of the blame for this unsatisfactory state of affairs on the Americans. Ever since his election, President Reagan's crude anti-Sovietism has caused nuttiness of disquiet in Europe, and the harshness of his reaction to the crackdown in Poland risks leading on to a first-class row over the gas pipeline deal.

On the economic front, the Community governments have dispatched the Belgian Prime Minister to complain about the damaging effects of America's high interest rates. These grievances, which derive from their direct impact on European interests, are backed by other more oblique criticisms: the imbroglio in El Salvador, the bland support for the military regime in Turkey, the arming of the Middle East, the apparent inconsistency of U.S. policy on nuclear arms control negotiations.

Behind many of these complaints lies a more general charge: lack of coherence in U.S. foreign policy.

Europe is itself divided and incoherent

Not merely has there been no resolution of the struggle between the hard men (epitomised by Caspar Weinberger, the Defence Secretary) and the somewhat softer men (epitomised by Alexander Haig, the Secretary of State), there seems to be little consistency in the nature of that struggle: over El Salvador, for example, it seems to be Weinberger who is playing it cool, and Haig who is playing it hot. There is a good deal of force in this litany of European complaints. The trouble is that the European governments do

not seem to have even begun to think about what they should do to bring greater influence to bear on the leader of the Atlantic alliance. Complaining and muttering are easy, but given the background and emotional prejudices of the Reagan Administration, it is hardly surprising that it pays so little attention to Europe when Europe is itself divided and incoherent.

President Reagan may have been too quick to slap curbs on to high-technology exports to the Soviet Union after the Polish crackdown; the European members of the alliance were certainly too slow in formulating their own position. Indeed, apart from the generalities, it is still not clear if there is a united European position.

It is strange, amidst the manifest shortcomings of so many other aspects of Community life, the member governments regularly congratulate themselves on the success of their efforts at foreign policy coordination. It is barely three months since they agreed to strengthen the mechanisms for this consultation, and to extend the range of subjects to include at least the political, if not the military, aspects of security.

Come the Polish crisis, and do the Community foreign ministers spring into action? They do not. They dither, and in dithering they play into the hands of those in Washington who put such a high premium on standing up to Moscow that they persuade themselves that America can conduct western foreign policy single-handedly.

In the days when the axis of America's East-West policy ran exclusively through Europe, Europe dithering was the same but not calamitous. Those days have now passed. The Iranian revolution, the Soviet invasion of Afghanistan, the Iran-Iraq war and the election of Ronald Reagan have given us an America which sees the confrontation with Moscow in much more global as well as much more intense terms.

It is easy for Europeans to argue that America cannot in practice implement its new global ambitions without European help, and that European views will therefore have to be taken into account. The trouble is that Washington may not see



President Reagan and (right) Wilfried Martens, the Belgian Prime Minister: a frosty meeting at the White House

it that way, and that incoherent European foot-dragging may provoke more unilateralism in the U.S. not less.

The heart of the matter is that the countries of Western Europe have not yet come to grips with the question of their relationship to each other. Until they do, their relationship with the U.S. is likely to be unsatisfactory and possibly dangerous.

Twenty-five years ago the success of the limited Coal and Steel Community led to the creation of the broader European Economic Community. But it is glaringly obvious that the record of the past quarter-century has fallen far short of the aspirations of the founding fathers.

Some would say that the Community has made no major progress on the road to economic integration since the foundation of the common agricultural policy (CAP) in 1964, and that with hindsight even that achievement has proved a colossal mistake. Others, more charitably, would claim significant success for the establishment of the European Monetary system in 1979, and the direct election of the European Parliament.

What is undeniable is that 23 years of the Community have done little or nothing to strengthen the commitment of the member states to a more genuinely united Europe. Every few years they have tended to set up a new study group to think up ways of making the Community work better, but all the reports end up in the wastepaper basket. The reality on the ground is that competing national interests almost always take priority over the common interest.

There is nothing particularly surprising about this. Old habits die hard, and old countries do not lightly suffer infringements of their national sovereignty or permit interference with their systems of political legitimacy. The hard fact is that, if the member states are unwilling to face the implications of further integration inside the Community, it is illusory to imagine that they can be united in their foreign policy.

Hans Dietrich Genscher and Emilio Colombo, foreign ministers of Germany and Italy, have been trying to grapple with the problem by proposing a new "Act" of European unity. Unfortunately, what they have to offer is almost entirely symbolic and ceremonial, having to do with such things as formalising the European summits as part of the institutional apparatus of the Community. Whether their proposals are adopted or not, they will make no difference unless there is also a more profound change of attitudes than is visible on the horizon at present.

Disatisfaction with the way the Community works is almost universal, but for many years the member states have seemed on balance to prefer to use the institutions as a mechanism for handling, if not of resolving, their competing national interests, rather than make a more profound commitment to the implied objectives of the Community. Fortunately (for one point of view), the time for this static option is fast running out: if the Community does not move forward, it will move back.

This uncomfortable dilemma is exemplified by the current squabble over the Community's farm prices and Britain's share of the Community budget. Superficially, this is just another case of those haggles about

money that have become so tiresomely familiar. But the heart of the matter is that it is really a disguised argument over whether the Community should be more integrated or less integrated.

The common agricultural policy, based on common prices, common market management, and common financing, represents the integrationist choice; but almost everything else in the Community corresponds to a looser, *laissez-faire* choice. In practice these conflicting choices cannot co-exist side by side indefinitely; as it is, the integrationist nature of the CAP is severely distorted by the fact that we still do not have genuinely common prices, despite the relatively successful working of the European Monetary System.

For the time being, France and some other member states are invoking the integrationist principles of the CAP in order to avoid facing the fact that the policy has gone wrong, and that in any case economic integration cannot last long if it is confined to one quite small sector of the economy.

If the heart of the matter is not faced, it is an odds-on bet that the CAP will disintegrate, and the current prospect is that that process will be triggered

A danger that the CAP will disintegrate

by the budgetary argument, no doubt in circumstances of grotesque acrimony.

The nature of the dilemma facing Europe has received far too little attention. Most European governments are understandably preoccupied with domestic problems like inflation and unemployment, and the record of the Community hardly inspires them with hope. But the choice is increasingly clear: if they cannot summon up a greater degree of effective commitment to European unity, the Americans will be more and more likely to go their own way.

Lombard Hands off U.S. money policy

By Samuel Brittan

THERE IS something unhealthy about the European attitude to U.S. interest rates and monetary policy.

A plausible case can be made out for the ostensible on-the-surface attitude. The U.S. budget deficit—now merely for this year, or next, but stretching as far ahead as can be seen well beyond the present recession—is too large. The result is an excessive strain on interest rates on both sides of the Atlantic.

Presented in this way, it is not a criticism of the Fed, but a reinforcement for it in its campaign for a more responsible fiscal policy. President Ronald Reagan will not tremble in his boots when U.S. budget deficits are denounced by Sir Geoffrey Howe in the House of Commons or when the Belgian Prime Minister M. Wilfried Martens protests about it in the White House. But no doubt every little pressure reinforces

those in the Administration and in Congress who are in any case unhappy with events. So far so good. But there is a further half-expressed sentiment in the background. This is that even if the U.S. budget deficit cannot be reduced by the large amounts required, U.S. interest rates should still be cut, even if that means soft-peddling the Fed's stand against inflation.

Some Europeans' almost appear to be saying: "Please reduce interest rates at all costs and stockpile our currencies, and meanwhile don't forget that General Jaruzelski makes the trains run on time." But sticking to the monetary point alone, it would be disastrous if Mr Volcker were to give an inch.

There is no way by which the Fed can control both interest rates and the money supply. By abandoning or disregarding its monetary objectives, it might secure some temporary alleviation—but at the expense of more rapid inflation and still higher interest rates in a year or two. This is the mistake that the Fed, like many other central banks, has made in most previous recessions—see hopes that the Bank of England is not making it now.

A re-acceleration of U.S. inflation would not be in the interest of the rest of the world. The dollar is still by far the most important international currency and renewed uncertainty about its future value could only create more disturbance—for interest rates as much as for anything else. Nor would foreign currency intervention provide a satisfactory alternative. Such intervention at most buys time; and if the underlying forces do not change, European interest rates and exchange rates will have to move all the more sharply in the end—as Sir Harold Wilson can testify from his efforts to hold the £2:10 sterling parity.

There is already more than enough domestic pressure on the Fed to relax its monetary stance without the Europeans adding any more. The Administration, for all its monetarist talk, has asked the Fed to get to the top third of its target monetary growth range—which nullifies the whole idea of having a range.

The Fed has already gone as far as it should by basing its 1982 target growth range of 2½ to 3½ per cent on where the money supply should have reached last year and ignoring the "undershoot" which did occur. It is in any case untrue that world interest rates are rigidly tied to U.S. ones. Prime lending rates vary from less than 6 per cent in Japan to 8 per cent in Switzerland, 13 per cent in Germany to 14-15 per cent in Britain and France, 17 per cent in the U.S. and over 22 per cent in Italy.

There are obviously factors at work other than inflation differentials; but they have a key role. Any European country can have a lower interest rate than at present, without depreciating against the dollar, if the markets come to believe that it has moved on to a less inflationary course.

Politicians deceive themselves if they suppose that the world-wide shift from negative to positive real interest rates is mainly the result of central bank policy. It reflects much deeper forces such as an increase in the demand for capital. European statesmen would do more for world harmony and prosperity by putting their own houses in order than by reading lectures to Washington.

Letters to the Editor

Finding finance for future cross-Channel links

From the Chairman, European Ferries

Sir—I do not wish to become too involved in a new Channel link debate but the exchange of correspondence between Mr A. F. Gueterbock of Channel Tunnel Developments (February 12) and Mr Patrick Shovelton of the General Council of British Shipping (January 31) has been very interesting. I wonder if I may be permitted to correct one or two of the more obvious errors which Mr Gueterbock makes.

It is said that ferry fares have increased by more than the rate of inflation since the cancellation of the last Channel tunnel scheme in early 1975. This is incorrect. Fares have declined significantly since that time and in some cases are actually lower now than they were 50 years ago.

Having taken Mr Shovelton to task for claiming that the

tunnel would not be able to carry all classes of traffic Mr Gueterbock then very fairly sets out those types of traffic with which the tunnel could not cope. I hope that this type of logic does not carry through into the studies produced on behalf of his company.

With regard to the financing of the tunnel, I am very pleased indeed to see that, excluding a guarantee against political cancellation, no financial guarantees of any nature will be required in complete Channel link. I have heard this claim before and I have heard it said that leading merchant bankers foresee no difficulties in this regard. I regularly meet all the leading merchant banks and I have yet to meet a director of one who, privately within his own office, would be so sanguine. What I think they are all prepared to do is to examine the feasibility of raising finance on these terms.

If, however, the monies are forthcoming without a Government guarantee in any form and that would include a long-term contract with a nationalised industry, then clearly we in the free enterprise sector of the ferry market can have no objection to a link being built. If private institutions and individuals wish to risk their own cash on a highly speculative venture of this size and nature then that is a matter for them and them alone.

We in the cross-Channel ferry business welcome fair competition just as in the past we have faced our competitors in hovercraft, hydrofoils and aircraft. All we ask is that the Government does not give our competitors an unfair advantage by subsidy, guarantee or otherwise. K. D. Wickenden, MP, European Ferries, 9, Old Queen Street, SW1.

Tighter advertising controls

From the Director-General, Advertising Standards Authority

Sir—David Churchill (February 11) says that the Advertising Standards Authority does not cover "a few areas—such as direct mail, free sheets and publications such as 'Exchange and Mart'". Some of your readers may suppose that this means that these media are outside the scope of the British code of advertising practice, which we enforce. This is not the case. We receive nothing but support and co-operation from "Exchange and Mart" and regularly and successfully pursue complaints about misleading advertisements both in free-sheets and in direct mail catalogues.

It is true that where publishers of advertisements are outside the trade associations that support the code, ensuring compliance can in theory be difficult. So it is important to realise that the three trade associations whose members are responsible for the great bulk of direct mail advertising are already in membership of the CAP committee.

ASA participated in the Department of Trade Working Party in 1980 and endorsed the proposal that emerged from it, under which the director-general of fair trading would acquire the power to seek an injunction against advertisements which breached a general duty not to deceive or mislead. We believe that this is desirable because present legal controls are ill-adapted to coping with the enormously diverse and permanently mobile advertising business and are inadequate without such backing.

It is unfortunate that Mr Borrie, in pressing his claim to acquire such a power, should be reported as suggesting that his need for it arises from a deficiency on the part of the Authority to be soft on offenders. He well knows that the number of occasions on which any injunctive power could be exercised would be tiny, and that in any foreseeable future, the main burden of coping with misleading and offensive advertisements must continue to rest, as it does now, with the self-regulatory system. ASA is no less dedicated than is Mr Borrie to the development of an effective partnership between legal and self-regulatory controls; that aim is not furthered if one of the partners is seen to suggest that the commitment of the other is suspect. Peter Thomson, Advertising Standards Authority, Brook House, 13 Torrington Place, W.C1.

Without benefit of scrutiny

From Mr P. Pennington-Leah

Sir—I cannot be alone in doubting whether a new Lloyd's Bill or a "new" Bill is either necessary or wise. Lloyd's is a corporation set up by Acts of Parliament with a legal entity quite distinct from its members and separate from "the market" it encompasses. Whereas, what the market does or does not do in the conduct of its trade, warrants the attention of the Press and Parliament it is dubious whether the machinations surrounding the self-regulation of the Society and Corporation of Lloyd's are equally deserving of such constant and damaging public exposure. While divestment and immunity are concepts demanding debate, it is not necessarily upon the floor of the House, nor before the bench of public opinion, that such debates should be heard. Moreover, there is I contend an alternative to the new Bill and that is the Royal Charter option which over the last century many regulatory bodies have chosen to pursue.

Were the Crown to grant Lloyd's a charter of incorporation in place of the special Acts of Parliament, one invaluable advantage will accrue. I refer to the removal of matters concerning the constitution and powers of Lloyd's and its ruling committee from the public and political forum. The members and the council would suggest amendments to the charter or

the bylaws before the Privy Council which would then consider the interests of the public, the members and the corporation in secret without the benefit of media analysis. P. R. Pennington-Leah, 51 Kings Road, Windsor, Berks.

Self-regulation at Lloyd's

From the Chairman of Lloyd's Underwriting Non-Marine Association; Actuation Underwriters' Association; Underwriting Agents' Association; Motor Underwriters' Association; Underwriters' Association; and Insurance Brokers' Committee

Sir—We, the chairmen of the six Lloyd's market associations, would like to reiterate our support of the Lloyd's Bill now reaching a crucial stage in its parliamentary career. Private legislation can seldom have received such attention or have aroused such controversy. There comes a time, however, when individual interests must give way to the common good and opposition from a vocal minority ought no longer to delay a measure already endorsed by the membership, the market and the parliamentary committee. Lloyd's, it should be remembered, contributes nearly £600m a year to Britain's invisible earnings and provides employment directly or indirectly for more than 72,000 people. All of

this could be placed at risk were the request for an effective system of self-regulation now to be denied. Richard Ballantyne, Barry Coleman, D. E. Coleridge, H. R. Dobinson, M. B. Rumsey, and R. M. Saller, Lloyd's, Lane Street, EC3.

Out of favour in the private sector

From Mr R. Mountjoy

Sir—Is the letter from A. E. J. Williams (February 11) meant to be taken seriously? In effect, it is suggested that private sector schemes should tell retiring employees that there is a marvellous way of giving them index linked pensions. All they have to do is to agree to accept a pension at the outset which is considerably reduced—perhaps by as much as one-half. The problem of index linked pensions in the public sector was created by politicians, presumably with no real business experience, committing the unguardable sin of signing a blank cheque. There is no painless solution and certainly equity will not be achieved by merely re-arranging the capital value of pensions from the private sector schemes. Is Mr Williams proposing that public sector pensions are put on the same basis? I doubt it. R. W. Mountjoy, 29 Irons Drive, Horsham, West Sussex.

Advertisement for Equity & Law insurance services. Text includes: "In a few years time, you're going to change your ideas about retirement. Because with the advances of modern day life and technology there will be so much more to look forward to. The very day you start looking forward to retirement you'll do something about it. But with regrets for not having planned anything sooner. So, if you can bear the word 'pension' now, then Equity & Law is here to help. Looking after people's finances has been our business since 1844. And our assets of over £1 billion does prove we're quite good at it." Large image of a seaside bungalow.

Handwritten signature or mark at the bottom of the page.

# Good profit shown by Benguet

DESPITE GENERALLY unfavourable conditions, 1981 was the second most profitable year for Benguet, the major producer of copper and gold in the Philippines, reports Leo Goozaga from Manila.

It realised a net income of pesos 190.7m (£12.7m) last year, better than any other year except for the record pesos 252.3m earned in 1980.

Benguet attributed the 24 per cent fall from the preceding year's profit level mainly to higher production costs and the doubling in the tax on mineral products.

Despite lower metal prices, operating revenue rose to pesos 2bn in 1981 from pesos 1.8bn in 1980 as volume exports more than offset the value contraction in the company's copper, gold, silver and chromite products.

Up to 31 per cent of last year's net income came from the copper-gold-silver property of Dixon Mines in San Marcelino (Zambales Province, West Central Luzon), which is operated under contract by Benguet. A similar percentage came from gold trading operations.

# Baring Bros. expansion

Profits for 1981 of Baring Brothers and Co., the merchant banker, have risen from £0.55m to £1m, after tax and a transfer to inner reserves. Again all the profits have been paid out as dividends. The ultimate holding company is the Baring Foundation, a charitable trust.

The year-end balance sheet shows disclosed shareholders' funds of £25m, against £30m previously, with the reserve having increased to £29.45m by a transfer of £5m from inner reserves. Deposits amounted to £586.61m (£458.04m).

# Berisford confident of future profitable growth

CONFIDENCE THAT international commodity trader, S. and W. Berisford, shall maintain and improve on its record of success and continue to find profitable growth to the future, is expressed by Mr E. S. Margulies, the chairman, in his annual statement.

For the year ended September 30 1981 group pre-tax profits rose from £36.1m to £50.7m—as reported January 18. The results reflected the consolidation of Berisford's 40.02 per cent holding in British Sugar Corporation—without this consolidation full year taxable profits were £37m.

Mr Margulies says results to date of British Sugar fully justified the investment made last year. Under the Takeover Code's rules, although Berisford may sell shares, it is inhibited from making any further investment until the summer of 1982.

During this period the chairman says the group will continue to keep the position under review. He explains that the group's strategic course in further developing its activity is to draw on its skill and experience and substantial financial resources in

order to broaden and strengthen its existing mix of trading and processing businesses, and improve their individual performance.

Thus, Berisford intends, cautiously and deliberately, to deepen involvement in trades where it is already established profitably, as well as to extend the range of materials in which it trades by moving into promising new areas. The group aims to do this either by acquisition of existing merchandising and processing businesses or by new ventures from within.

Berisford also seeks to strengthen its regional organisation in different parts of the world so as to improve its ability to source important raw materials or to service customers internationally.

At September 30 1981, group shareholders' funds had increased by £15.7m to £179m. Fixed assets amounted to £115.5m (£40.8m), while net current assets were down from £36.52m to £49.55m. Net bank borrowings jumped by £119.41m to £205.05m.

# Assam Trading £56,000 midway

SATISFACTORY PROGRESS has been made by Assam Trading (Holdings) in the six months to September 30 1981. Pre-tax profits of £165,000 for the period, on turnover of £1.11m. The figures do not include any contribution from its associate, McLeod Russel.

Profits were struck after interest of £242,000. Tax took £20,000 and including an extraordinary credit of £15,000, attributable profit came out at £181,000.

Stated earnings per 10p "B" share were 0.24p before extra-

ordinary items and 0.4p after. The company does not pay interim dividends—for the last full year, a single 1.5p was paid from published taxable profits of £163,000.

The effect on Assam of results of McLeod Russel continues to be of major importance, but the seasonal nature of that company's business precludes its directors from publishing any half-yearly profit figures and from giving an estimate of profits for the year ending March 31 1982.

As a result, Assam is unable

to include in its interim statement any figures relating to the McLeod Russel results and the company states that its own figures should be considered in this light.

Assam continues to hold 33.55 per cent of the ordinary capital of McLeod Russel. Since September it has acquired 78,166 new 8p per cent convertible cumulative redeemable preference shares which arose out of the merger of McLeod Russel with Warren Plantations Holdings. On full conversion of these shares, the Assam holding will be reduced to 27.74 per cent.

# BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are intended or not and the subdivisions shown below are based mainly on last year's sizeable...

Company	Date
Interim: Job Holdings	Mar 4
Final: Abbey Panels Investments	Mar 4
Anglo International Investment Trust	Mar 4
Charles Blyth, English and Scottish Investors, Investment Trust of Guernsey, Nottingham Manufacturing, Romney Trust	Mar 4
Interim: Medminster	Mar 4
McNeill Com	Mar 4
Final: Fidelity Investments	Mar 3
General Accident Fire and Life Assurance (in Success) Equities	Mar 3
Johnson Group Cleaners	Mar 17

# Lister moves into profit

AFTER TWO YEARS in loss Lister and Co, the Bradford-based textile manufacturer, recovered to a small profit in the first half of the current year and is forecasting a full year that should show continuing improvement.

On sales, title changed at £15.16m (£15.27m) the group turned round from a £717,000 pre-tax loss to a £9,000 profit for the half year to September 26. Trading profit climbed from £341,000 to £299,000 and interest costs were cut from £1.11m to £277,000. The share of associates rights were £7,000, against £50,000.

Stated loss per 25p share emerged at 0.06p (£7p) after tax of £6,000 (£44,000).

# SPLINE GAUGES

Spline Gauges has purchased the assets of LCL (in liquidation) and also the stock and work in progress of MLMS (creditors' trusteeship is held shortly).

Spline can use in its business in-process of removal and reinstallation. The remaining assets will be disposed of shortly by public auction.

# Better signs for Deanson

LOOKING AT prospects for Deanson (Holdings), Mr J. Wilcox, executive chairman, says there are some signs that the national depression is at last beginning to ease and "this will help us get back to profitability."

Against this, however, the group has to bear the costs incurred by a loss of production following an industrial dispute. Therefore, he feels it would be unwise to attempt any forecast of the current year's results.

In the year ended September 30 1981 the company incurred a loss of £374,880—its first-ever—of £250,955 before tax and extraordinary charges. The dividend is cut from 2.5p to 1p, but the fact there is a payment is an indication that the board feels the majority of the problems have been solved, and an expression of its confidence in the future.

In the print division drastic action was needed to get back to profits and an acquisition was deemed the best way. Therefore, Wilkes Business Forms was acquired; and internal information indicates that had this not been effected this division would have lost over £350,000, including redundancy costs, because of the severe falling off in orders.

After the acquisition the majority of the print division's manufacturing activities were transferred to Deanson Ltd.; the name of Wilkes Business Forms was changed to Deanson Wilkes and this is now the sales company of the group.

Deanson Ltd was given a completely new management structure and this had the effect of solving most of the problems. The remainder are receiving close attention and the board believes the results of a "long and arduous" reorganisation will be reflected in the second half of the current year.

The chairman says that in April 1981 the directors "found

# Deborah Services downturn

DESPITE A slight increase in turnover from £14m to £14.7m, pre-tax profits of scaffolding contractor, Deborah Services, tumbled from £760,000 to £261,000 for the six months to September 30, 1981.

Mr A. L. Britton, the chairman, says the reduction has been caused by severe pressure on margins as a result of the continued recession. He warns that it is very difficult at this stage to forecast any improvement for the second six months.

The interim dividend, however, is maintained at 1.25p net per 5p share, payable on March 19. For the last full year, dividends totalled 4.25p from pre-tax profits of £1.57m.

# Hunting Gate up by 73%

TAXABLE PROFITS of Hunting Gate Group, the Hitchin based property development, house building, construction and civil engineering group, climbed by 73 per cent from £345,000 to £597,600 for the year to end July 1981 on turnover up from £18.13m to £30.59m.

Net assets have jumped by 42 per cent to just over £6m and earnings per share were 16p, against 9p in 1979/80.

Growth has come from all divisions and, with a current development programme of around £100m, most of which is being carried out with major institutions, the board is confident that profits for the current year will be in excess of the 1980/81 results.

The new time sharing division in Norfolk is proving very successful and Hunting Gate is actively pursuing an extensive house building programme.

# SHARE STAKES

Stewart Plastics—C. Dugan, chairman, director, has disposed of 250,000 shares at 120p leaving holding 6,313,838 shares (37.0322 per cent).

Fundinvest—As a result of the sale of 50,000 capital shares Edinburgh Investment Trust has reduced its holding to 1,053,000 capital shares (16.8 per cent).

SPANISH  
1981-82  
High Low  
308 281 Banco BBVA 352  
380 280 Banco Central 358  
130 228 Banco Exterior 368  
330 239 Banco Hispano 318  
128 115 Banco Ind. Cat. 215  
282 203 Banco Vizcaya 375  
383 294 Banco Santander 238  
234 148 Banco Urquijo 224  
75 45 Española Zinc 95  
172 55 Fecsa 60.5  
67 62 Gal. Preciados 65.5  
87 83 Hidro 82.7  
92.5 50 Iberdrola 54.5  
102.5 70 Petroleo 89.5  
39 62 Repsol 63.7  
102 14 Sefispa 76  
80 60 Telefonica 72  
78.2 60 Union Electro 63.5

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**Can. \$75,000,000**

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guaranteed by  
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**Credit Suisse First Boston Limited Société Générale de Banque S.A.**

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**BASE LENDING RATES**

A.B.N. Bank	14%	Robert Fraser	14%
Allied Irish Bank	14%	Grindlays Bank	11 1/4%
American Express BK	14%	Guinness Mahon	14%
Amro Bank	14%	Hambros Bank	14%
Henry Ansbacher	14%	Heritable & Gen. Trust	14%
Arbuthnot Latham	14%	Hill Samuel	13 1/4%
Associates Cap. Corp.	14%	C. Hoare & Co.	14%
Banco de Bilbao	14%	Hongkong & Shanghai	14%
BCCI	14%	Knollys & Co. Ltd.	14 1/4%
Bank of Montreal	14%	Lloyds Bank	14%
Bank of London	14%	Mallionhall Limited	14%
Bank Leumi (UK) plc	14%	Edward Manson & Co.	15%
Bank of Cyprus	14%	Midland Bank	14%
Bank Street Sec. Ltd.	15 1/4%	Samuel Mootag	14%
Bank of N.S.W.	14%	Morgan Grenfell	14%
Banque Belge Ltd.	14%	National Westminster	14%
Banque de France	14%	Norwich General Trust	14%
la Tamise S.A.	14 1/4%	P. S. Refson & Co.	14%
Barclays Bank	14%	Roxburgh & Co.	14 1/4%
Benevolent Trust Ltd.	15%	E. S. Schwab	14%
Brennar Holdings Ltd.	15%	Slavenburg's Bank	14%
Bristol & West Invest.	15%	Standard Chartered	14 1/4%
Brit. Bank of Ind. East	14%	Trade Dev. Bank	14%
Brown Shipley	14 1/4%	Trustee Savings Bank	14%
Canada Perm. Trust	14 1/4%	TCB Ltd.	14%
Castle Court Trust Ltd.	14 1/4%	United Bank of Kuwait	13%
Cavendish G'ly T'st Ltd.	15 1/4%	Whiteaway Laidlaw	14 1/4%
Cayzer Ltd.	14 1/4%	Williams & Glyn's	14%
Cedar Holdings	14%	Windsor Sec. Ltd.	14%
Charterhouse Japbet	14%	Yorkshire Bank	14%
Choulatons	14 1/4%	Members of the Acceptors Houses Committee.	
Citibank Savings	14%	7-day deposits 11.50%, 1-month 11.75%, 3-month 12.00%/12-month 14.10%	
Clydesdale Bank	14%	7-day deposits on sums 01- under £10,000 11%, £10,000 up to £25,000 12%, £25,000 and over 12 1/2%	
C. E. Coates	14 1/4%	Call deposits £1,000 and over 11 1/4%	
Consolidated Credits	14%	21-day deposits over £1,000 11%, 6-month 12%,	
Co-operative Bank	14%	Mortgage base rate.	
Corinthia Secs.	14%		
The Cyprus Popular BK.	14%		
Duncan Lawrie	14%		
Eagle Trust	14%		
Ereter Trust Ltd.	15%		
First Nat. Fin. Corp.	17%		
First Nat. Secs. Ltd.	17%		

**CONSOLIDATED SEMI-ANNUAL REPORT**

Statement of Income (for the period April 1, 1981, to September 30, 1981) in Millions of Yen

Sales and other income	1,210,354
Cost and expenses	478,996
Income before income taxes	54,914
Income taxes	32,897
Net income	22,017
Net income per share of common stock	9.86 (in Yen)

Growth of Consolidated Net Sales (6 months ended March 31 and Sept. 30)

Balance Sheet (September 30, 1981) in Millions of Yen

ASSETS	LIABILITIES
Cash and time deposits	323,133
Notes and accounts receivable, trade	494,138
Inventories	433,125
Other current assets	291,883
Property, plant and equipment	351,403
Other assets	329,868
Total assets	2,208,408
Bank loans	494,138
Notes and accounts payable, trade	377,805
Other current liabilities	419,937
Common stock	123,004
Surplus	256,368
Total liabilities	2,208,408

Our latest Consolidated Semi-Annual Reports are available at Toshiba International Trade S.A., London Office, 12/18 Hatton Garden, London E.C. 1, England. TEL: (01) 405-6372-4

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TOSHIBA CORPORATION TOKYO, JAPAN

**SEK**

**U.S. \$75,000,000**

**AB Svensk Exportkredit**  
(Swedish Export Credit Corporation)

**Floating Rate Notes due 1987 and Warrants to purchase U.S. \$112,500,000**

**1 3/4% Bonds due 1990**

**MORGAN GUARANTY LTD MORGAN STANLEY INTERNATIONAL**  
**SKANDINAVISKA ENSKILDA BANKEN PK BANKEN GROUP SVENSKA HANDELSBANKEN**  
**BANK OF TOKYO INTERNATIONAL LIMITED BANQUE BRUXELLES LAMBERT S.A.**  
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February 11, 1982

# Pending dividends

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements, except where the forthcoming board meetings (indicated thus\*) have been officially published. It should be emphasised that dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

Date	Announcement last year	Date	Announcement last year
APV	Mar 30 Final 8.2	IMI	Feb 25 Final 2.5
*Anglo American	Mar 11 Final 6.0	Kleinwortz	Mar 26 Final 6.0
Gold	Mar 11 Final 6.0	LWT	Apr 2 Final 4.086
Amstron	Mar 25 Int. 0.55	Leadbroke	Apr 2 Final 6.56
Ault and		Legal and	
Wiborg	Mar 5 Final 1.05	General	Apr 1 Final 6.0
BBA	Mar 26 Final 0.5	Lex Service	Mar 19 Final 4.2
*BICC	Mar 24 Final 8.4	*Low & Bonser	Mar 29 Final 9.5
BSR	Mar 18 Final nil	Lucas Inds.	Mar 26 Int. 2.8
FTB	Mar 12 Final 5.5	*Machinese	Feb 24 Final 3.5
Balcoek Int.	Apr 1 Final 3.6	*Midland Bank	Mar 18 Final 14.0
Barrays SE	Mar 1 Final 3.25	Mills and	
Barratt		Allen Int.	Mar 20 Int. 5.0
Depuynta	Mar 17 Int. 3.5	*Mitchell Colts	Mar 4 Int. 0.696
Gajem	Mar 18 Int. 1.25	*NewWest	Feb 23 Final 12.25
Bell (A)	Mar 26 Int. 2.2	*News Intl.	Mar 25 Int. 2.836
Seabell	Mar 25 Final 7.1	*Nottingham	
*Bibby (J)	Mar 18 Final 4.525	WmCo	Feb 22 Final 3.0
Boddington	Mar 19 Final 1.5	Ocean	
Svevics	Mar 19 Final 1.5	Transport	Mar 30 Final 4.7
Booker		Peacley Prop.	Mar 31 Final 1.5
McConnell	Mar 31 Final 1.875	Phoenix Ascs.	Apr 1 Final 8.4
Bridg		*Plessey	Feb 25 Int. 3.22
Aluminium	Mar 11 Final 2.0	Prudential	Mar 25 Final 7.0
Petroleum	Mar 12 Final 14.0	*Ransomes Sims and Jeffries	Mar 4 Final 8.0
British Vita	Mar 3 Final 2.5	Reckitt and	
Brown Bros.	Feb 26 Int. 1.0	Colman	Apr 1 Final 5.0
Bunal Pulp		Reed (A)	Apr 2 Final 2.49
Cam Paper	Mar 31 Final 3.02	Retokil	Mar 4 Final 1.8
*Cedary		Revdale	Mar 25 Final 2.1
Schwappes	Mar 11 Final 2.9	Royal Dutch	
Cape Inds.	Mar 31 Final 7.3	Petroleum	Mar 12 Final 31.385
*Cringring		Royal Incoe	Mar 1 Final 14.75
Fyalls	Feb 24 Final nil	Shell Transp.	Mar 12 Final 10.5
Roadstone	Mar 18 Final 3.29	Slough Ests.	Mar 25 Final 1.95
*Commercial	Feb 25 Int. 100	Smith and	
*Commercial		Naglaw	Mar 24 Final 2.8
*Coca-Cola	Feb 23 Final 8.4	STC	Mar 20 Int. nil
Fields	Mar 3 Int. 8.5	Spreyley	Mar 19 Final 8.0
DRE	Mar 18 Final 3.0	Sun Alliance	Apr 1 Final 8.0
FTB	Mar 12 Final 5.5	Tilling (T)	Mar 18 Final 0.0
Ducado Steels	Mar 17 Int. nil	Transp. Dev.	Mar 15 Final 2.8
Eagle Star	Mar 25 Final 5.5	Treanor	Mar 19 Final 5.6
Fairclough		*Tubacost	Mar 10 Final 2.5
Genstar	Mar 17 Final 2.85	Nowall	Mar 17 Final 3.0
Ploasa	Mar 2 Final 3.1	Unilever	Mar 11 Final 7.0
GRE	Apr 1 Final 8.5	*Urd. Biscaut	Mar 11 Final 2.5
*Accident	Mar 3 Final 7.25	Urd. City	
*General Mng.	Mar 4 Final 100c	Gentara	Mar 12 Int. 0.8
*Guinness	Mar 18 Final 4.0	Weir	Apr 1 Final nil
*Harrisons	Mar 18 Int. 2.75	Wills Faber	Mar 23 Final 8.2
Miley	Ests. Feb 24 Int. 2.5	Wolstenholme	Mar 19 Final 4.4
Hopwood		*Woolworth	Mar 10 Final 3.989
Ceramic	Mar 19 Final 4.286		
*Shalal 81g	Mar 9 Final 190.47		
*Hoover	Feb 24 Final 2.0		
*ICI	Feb 25 Sec. Int. 5.0		

\* Board meeting postponed. † Rights issue since made. ‡ Tax free. § 5cno issue since made. † Forecast.

# Public Works Loan Board rates

Effective February 20

Years	by EPT	At maturity	by EPT	At maturity
Up to 5	15 1/2	15 1/2	16 1/2	16 1/2
Over 5, up to 6	15 1/2	15 1/2	16 1/2	16 1/2
Over 6, up to 7	15 1/2	15 1/2	16 1/2	16 1/2
Over 7, up to 8	15 1/2	15 1/2	16 1/2	16 1/2
Over 8, up to 9	15 1/2	15 1/2	16 1/2	16 1/2
Over 9, up to 10	15 1/2	15 1/2	16 1/2	16 1/2
Over 10, up to 15	15 1/2	15 1/2	16 1/2	16 1/2
Over 15, up to 25	15 1/2	15 1/2	16 1/2	16 1/2
Over 25	15 1/2	15 1/2	16 1/2	16 1/2

Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

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1980's capitalisation	Company	Price on week end (p)	Change	Gross Yield	P/E	Fully paid
1,224	ABI Hidge. 10pc CULS	73	-1	10.0	8.1	



# INTERNATIONAL CAPITAL MARKETS

## INTERNATIONAL BONDS

### Optimism despite uncertainty over U.S. economy

THE INTERNATIONAL bond markets were back at their favourite game at the end of last week—guessing the impact of the latest U.S. money supply figures.

But in stark contrast to previous weeks, there was more than a hint of optimism in the back of traders' minds, fuelled by a somewhat unexpected decline in short-term money rates.

While prime rates in the U.S. moved up to 17 per cent last week, Eurodeposit rates actually fell in Europe, with the six-month rate shedding as much as 1/2 of a point to 15 1/2 per cent.

This was particularly good news for traders in fixed rate bonds, who once again suddenly found themselves able to finance inventories of bonds at a positive cost of carry.

Outstanding gains were to be made, particularly from the adjustable issue for Mexico for which the initial coupon has been set at 17 1/2 per cent—far above interbank rates. This helped the issue survive the trauma of the flotation of the peso which was almost simultaneous with the launch of the bond.

But the coupons on other new fixed rate issues also began to look rather generous. The 16 per cent issue for Saskatchewan was quickly increased from an initial amount of \$100m to \$125m, and other new fixed rate issues were also reported to be selling well.

Then on Friday the Eurobond market received a rare visit from the Republic of Austria, which is floating a \$150m, 15 1/2 per cent issue at 9 1/2 per cent through Salomon Brothers, S.G. Warburg and Morgan Guaranty.

This is the first fixed rate dollar issue by Austria since a Yankee bond was launched in 1977. Some Swiss investors were said to be baulking at the name, which is all too familiar on their domestic market. But its rarity value allowed it to sell very well in other quarters.

The issue comprises an initial tranche of \$75m, while another \$75m may be sold on a tap basis later.

Does this mean the Eurobond market is back on a more conventional and steady diet of fixed rate bonds? Unusually,

there were no zero coupon issues last week, and as far as the secondary market is concerned it was, said one trader, "not exactly managing to run away with itself."

While bond prices closed quite strongly on Friday, the gains on the week were still quite small as the market remains fearful of more shocks from the other side of the Atlantic.

Continental markets mirrored the performance of the dollar sector, with confidence growing at the end of the week as lower dollar interest rates depressed the U.S. currency against the D-Mark and Swiss franc.

In Germany the DM 100m, 10 per cent issue for the Spanish telecommunications agency Cia Telefonica Nacional, were awarded a 10 1/2 per cent coupon by lead managers Dresdner Bank. This is somewhat above the 9 1/2 per cent coupon on the preceding DM 200m issue for the EEC, but the terms may have had to be sweetened slightly because the borrower does not carry a formal government guarantee.

Average secondary market prices in Germany did not quite manage to recover their early losses, closing the week down around 1/4 point. In Switzerland, the net fall was somewhat greater at around 1/2 point.

A feature of this market was the 7 1/2 per cent coupon awarded to the Austrian Kontrollbank issue, rather higher than that on some similar recent issues.

The SwFr 100m issue for Austria's postal savings bank, Postsparkasse, saw its coupon increased by 1/2 point to 7 1/2 per cent.

The European Currency Unit (ECU), meanwhile, continues its valiant effort to become an international bond market vehicle. Monday saw the launch of an ECU 500m, 14 per cent bond for the Italian Treasury.

The bulk of the issue was, however, placed domestically with Italian investors anxious to hedge against the weakness of the lira. International investors, whose demand for such paper is still relatively limited, reportedly took up only about ECU 50m.

Peter Montagnon

## CREDITS

### Mexico faces rising spreads

MEXICO'S sudden decision to let its peso slide on currency markets may lead to an acceleration of the rate at which spreads on its foreign currency loans have been rising.

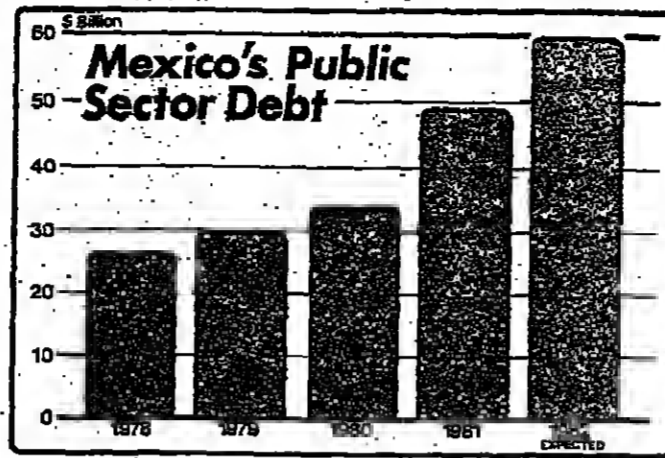
This was the consensus of Eurobond bankers as the dust began to settle around Thursday's effective 30 per cent depreciation of the Mexican currency.

In the longer run, the flotation of the peso should help the country's balance of payments by boosting tourism revenues and exports of manufactured goods. But for the short term, it seems likely to lead to a period of intensified economic uncertainty, particularly for the private sector, which has dollar debts of some \$15bn.

The \$2bn, four-year renewable credit for Pemex which enters syndication this week with a margin of 1 per cent over Libor or 1/2 over U.S. prime rate, thus presents something of a test for the market.

There is no basic problem with this credit as it was already oversubscribed by \$200m at the lead management level before the peso was floated. But Mexico is hoping for a good sell-down so that major banks retain space in their balance sheets for further borrowings by public sector entities.

A dramatic illustration of the impact of lower oil prices on



Mexico was shown by Pemex's admission in London last week that its outstanding external borrowings more than doubled last year to \$20.5bn. Of the total, about \$4.2bn takes the form of direct short-term loans from banks—about half of which will be consolidated into medium-term debt this year.

On the other side of the world Western banks are becoming increasingly confident that Poland has met, or at least nearly met, its commitment to pay outstanding 1981 interest arrears on its foreign debt.

The final count will continue through the early days of this

week, but banks are beginning to talk more firmly of a signing ceremony for the 1981 rescheduling agreement early next month, probably on March 1.

In Western Europe, Electricidade de Portugal has mandated Citicorp, Bank of Tokyo and the National Bank of Canada to raise \$100m over eight years with a margin of 1/2 per cent for the first six years and 1 per cent thereafter.

These terms mark a significant increase on the recent \$120m credit for the development bank, Banco de Fomento Nacional, which carried margins of only 1/2 Portuguese deals

are being closely watched at the moment because a large credit of up to \$650m is expected later in the spring for the Republic itself.

But some bankers said on Friday that Portugal may still press for an element of 1/2 per cent on the margins for its credit.

Another new mandate last week was \$200m for Venezuela's agricultural development bank, Bandegra. Led by a group including Credit Agricole and Libra, this bears a margin of 1/2 per cent for the first two years, rising to 1 per cent for the next three years if renewed at the lender's option.

However, Venezuela has apparently still not decided on whether to raise a large loan from banks in the Gulf. Signs of the latest large credit for the Republic has also been delayed for about a month, because of unusually complicated discussions on legal documentation.

This credit is expected to be increased eventually to at least \$550m, and possibly \$600m.

Another credit to be increased is that for Denmark, led by Citibank, where subscriptions are already high enough to raise the Libor based tranche to \$250m from \$200m, and the prime rate based portion to \$600m from \$500m.

Peter Montagnon

## EURODOLLAR LOANS

### Japanese lenders' enthusiasm wanes

JAPANESE banks have re-emerged as conspicuous participants in the currently rather shaky Eurodollar loan market, cutting a wider swath when others, notably the West Germans, have been frightened away by a serious squeeze on interest rate spreads on loans.

After a modest resumption 10 months ago, when a temporary ban on their participation in syndicated Euroloans was lifted, the pace of lending has accelerated quickly. In the six months ending this March 31, the Ministry of Finance has allowed a surge to \$8bn in new commitments.

The enthusiasm, however, has begun to wane. Finance Ministry officials are naturally more cautious during periods of monetary and foreign exchange unrest, although the yen's current weakness is unrelated to Eurodollar lending.

Banks are to be told to be careful and selective in Eurodollar loans, and to avoid putting further pressure on rock bottom loan spreads, which would attract foreign criticism.

The banks, moreover, are already bumping against "risk" ceilings on a number of the hungriest sovereign borrowers. The Finance Ministry has yet to set guidelines for the half year starting April 1. But early

indications are of little change. The overall ceiling on loans is likely to remain around \$8bn, a level pegged to what the authorities consider a fair share—usually 10 per cent to 12 per cent—of the Eurodollar market. The banks may be reminded that they do not have to fill their quotas, especially if spreads on loans continue to sink toward rock bottom levels.

Other conservative guidelines such as the Japanese maximum 50 per cent share of a syndication will remain.

These days, bankers appear willing to accept firm Ministry guidance, partly because they recognise the pitfalls of excessive competition.

Ministry officials (in the thought of one of their charges again being accused of rate cutting to grab business)

Japanese banks are worried that spreads for all prime borrowers are still falling, especially in Asia, where a 1 point spread is the going rate.

The Japanese hope that a rise in demand for Eurodollar loans this year will help reverse the slide in spreads. Bankers here see rises in borrowing from a broad range of sources, including oil producers and certain industrialised states like France.

Richard C. Hanson

## CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m	Maturity	Av. life year	Coupon %	Price	Lead manager	Offer yield %
<b>U.S. DOLLARS</b>							
Carolina Power	60	1989	7	16 1/2	99	Merrill Lynch	16.753
Somiloma Electric	50	1997	15	5 1/2	100	Daiwa Secs.	5.500
Hitech Metal	30	1997	15	4 1/2	100	Nikko Secs.	4.206
Trans-Western Explor.	10	1997	15	9	100	Bateman Eichler	9.000
Amada	30	1997	15	10	100	Nippon Kangyo, Schroder Wagg, Nomura Intl., Dai-ichi Kangyo	
CIBC	125	1987	5	16	100	Hambros Bank, CIBC	16.000
SOFT	75	1989	7	4 1/2	100	Suntomo Fin, Credit Lyonnais	6.005
Mexico	100	1997	15	17 1/2	100	CCF	17.000
Multibanco Comercio	40	1992	10	5 1/2	100	Nat. Bank of Abu Dhabi	5.750
Austria	75	1988	4	15 1/2	99 1/2	Salomon Bros., S.G. Warburg, Morgan Gy.	15.430 16.000
Saskatchewan	125	1989	7	16	100	CSFB	16.000
<b>CANADIAN DOLLARS</b>							
City of Montreal	50	1989	4	17	99 1/2	Kredietbank, BBL, Societe Generale	17.320
Prov. of Quebec	50	1988	4	17	99 1/2	Societe Generale	17.210
<b>D-MARKS</b>							
Tauernautobahn	50	1994	12	9 1/2	100	West LB	9.875
Oemarrick	100	1988	6	10	99 1/2	West LB	10.120
Dagmar	100	1992	10	10 1/2	99 1/2	West LB	10.248
Nippon Sheet Glass	30	1987	5	9 1/2	100	Deutsche Bank	
EEC	200	1994	8 1/2	9 1/2	99	Deutsche Bank	9.896
OKB	100	1987	5	9 1/2	99 1/2	Bay. Hypobank	10.007
<b>EURO DOLLARS</b>							
Murata	50	1990	8	10 1/2	100	Bay. Vereinsbank Dresdner Bank	
Spanish Telephones	100	1992	10	10 1/2	*		
<b>SWISS BANKS</b>							
Gen. Postsparkasse	100	1992	—	7 1/2	99 1/2	Kredietbank	7.573
Nukryana Steel	30	1987	—	6 1/2	100	UBS	6.500
OKB	100	1992	—	7 1/2	100	SBC	7.750
IADB	25	1987	—	8	100 1/2	Wirtschafts-und Privatbank	7.835
First City Fin. Corp.	25	1992	—	8 1/2	99 1/2	Banque Keyser Ullmann	8.360
Can. Pacific	140	1988	—	7 1/2	100	SBC	7.500
Becton, Dickinson	50	1987	—	7 1/2	100	SBC	7.500
Toyota Kanetsu	20	1987	—	*	100	SBC	*
Casio Computer	80	1987	—	*	100	UBS	*
<b>STERLING</b>							
Reed Intl.	25	1989	6.4	16 1/2	100	SG Warburg	16.750
<b>GUILDERS</b>							
EIB	75	1987	5	11	100	AmRo Bank	11.000
Asian Devt. Bank	100	1992	6	11 1/2	99	Algemene Bank, AmRo	11.475
<b>ECUs</b>							
Italy	500	1989	7	14	100	Kredietbank	14.000
Council of Europe	25	1990	8	14 1/2	*	Societe Generale, Banque Bruxelles Lambert	*
<b>YEN</b>							
New Zealand	20bn	1992	9	8.3	99 1/2	Yamaichi Secs.	8.345
<b>KUWAITI DINARS</b>							
Dart and Kraft	7	1989	7	*	*	KIIC	*

\* Not yet priced. † Final terms. \*\* Placement. † Floating rate note. ‡ Minimum. § Convertible. †† Registered with U.S. Securities and Exchange Commission. ††† For first three years. Note: Yields are calculated on AIBS basis.

This announcement appears as a matter of record only

NEW ISSUE

January 1982



## HYDROCARBONS INTERNATIONAL HOLDING S.A.

Luxembourg

Swiss Francs 100 000 000

SFr. 30 000 000

Floating Rate Bonds of 1982 due 1992

SFr. 70 000 000

8% Fixed Rate Bonds of 1982 due 1992

with the guarantee of

**Agip S.p.A.**

SODITIC S.A.

BANQUE SCANDINAVE EN SUISSE

CITICORP INTERNATIONAL FINANCE S.A.

Bank Heusser & Cie AG

Fuji Bank (Schweiz) AG

American Express Bank (Switzerland) AG  
Banca di Credito Commerciale e Mobiliare S.A.  
Bank Leumi Le-Israel (Schweiz)  
Bankers Trust AG  
Banque Pariente  
Compagnie Luxembourgeoise de la Dresdner Bank AG  
—Dresdner Bank International—Succursale de Zurich  
Grindlays Bank S.A.  
Nederlandsche Middenstandsbank (Suisse) S.A.  
Trade Development Bank

Banca del Sempione  
Bank für Kredit und Aussenhandel AG  
Bank Schoop Reiff & Co. AG  
Banque Bruxelles Lambert (Suisse) S.A.  
Banque Worms et Associés (Geneve) S.A.  
Dai-ichi Kangyo Bank (Schweiz) AG  
Kleinwort, Benson (Geneve) S.A.  
Privat Kredit Bank  
S.G. Warburg Bank AG



Sime Darby Group

## INTERIM RESULTS

FOR THE SIX MONTHS ENDED 31ST DECEMBER 1981

Year to 30th June 1981 M\$million		Six months to 31st December	
		1981 M\$million	1980 M\$million
245.4	PROFIT BEFORE TAXATION	102.9	141.3
165.6	PROFIT AFTER TAXATION	60.0	89.2
122.7	EARNINGS	41.4	67.5
M. Sen		M. Sen	M. Sen
10.8	DIVIDENDS PER SHARE—GROSS	4.0	4.0
17.3	EARNINGS PER SHARE	5.8	9.5

The main reason for the fall in Group profit lies in the current state of the world economy. As a direct result of the recession, the demand for commodities from the industrial world has fallen and this in turn has severely depressed prices particularly the rubber price. The effects of the recession are now being felt in the ASEAN region and it is apparent that these conditions will continue for some time yet.

The first half year results are disappointing but not unreasonable, given the climate of today's economic conditions, and the Sime Darby Group remains financially strong and should be able to withstand the difficulties of the present economic conditions.

Copies of the full interim report to be sent to shareholders on 26th February may be obtained on request from The Secretary, Sime Darby Berhad, Wisma MISC, Jalan Conlay, Kuala Lumpur.

Companies and Markets

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

U.S. BONDS

Wall Street bullish but rally lacks retail buyers

AFTER WEEKS of alarm and despondency, Wall Street finally has reason to open on a more up-beat note today. Not only has it had the week-end to savour this year's (a sharp \$3bn fall in M1), a more optimistic mood also seemed to be taking root last week as the Federal Reserve continued to pour liquidity into the markets to ease the worst pressures on interest rates.

Some of the more bullish traders even ventured the view that the latest peak in interest rates could be past. Although the prime rate was increased from 16 1/2 to 17 per cent last week, and grabbed the headlines, the trend in underlying market rates was broadly downwards.

Shorter-term interest rates declined as much as a percentage point by the time Wall Street had celebrated the fall in M1, which put it much closer to the growth track set by the Fed.

But last week's rally lacked one key component to make it convincing: retail buying—most of the dealing was done among traders. Wall Street also has a large overhang of unsold paper from the Treasury's \$10bn auction earlier this month, which means supply will

quickly satisfy any rise in demand. Taking the longer term view, many people also see whatever rally develops taking the form of last November's—when the market advanced powerfully only to founder in the all-too-familiar quagmire of money supply worries, Treasury deficits and tight money. In retrospect, the November rally was one of the many signs that have come among the zags, though it enabled some nimble-footed borrowers to lock in relatively well-priced long-term money.

They also warn that next month will be difficult for technical reasons, meaning that the Fed funds rate and the money supply could be exceptionally volatile. Despite the recession, short-term credit demand remains at curiously high levels, and contributed to the recent spike in interest rates. This is due partly to the absence of alternative sources of funds, like the bond market which is moribund, and partly to a high level of "distress" borrowing by companies whose inventory financing costs and internal cash generation have been badly hit by the recession.

David Lascelles

Table with 2 columns: U.S. INTEREST RATES (%), Week to Feb 12, Week to Feb 15. Rows include Fed funds, 3-month Treas, 3-month CO, 30-year Treas, AAA Ukl, AA industrial, AA Govt.

Rumasa gets go-ahead for take-over of Fidecaya

BY ROBERT GRAHAM IN MADRID

SPAIN'S largest private holding company, Rumasa, is to go ahead with a controversial banking deal that involves the take-over of the troubled trust fund, Fidecaya.

The deal has been authorised by the Ministry of Finance in the face of strong opposition from the Ministry of the Economy, the Bank of Spain and part of the banking community.

Fidecaya went into receivership last August holding 250,000 customer accounts and deposits of Pta 16bn (\$160m). Trust companies come under the control of the Finance Ministry, which authorised a businessman, Sr Vicente Edmundo Alfaro, to salvage Fidecaya. But the deal failed, and fraud charges are now outstanding.

Because of the Finance Ministry's embarrassment over the failure of its efforts to save Fidecaya, it pushed through a decree guaranteeing the depositors their funds. This created a precedent since under banking law, depositors in a private bank are only guaranteed up to Pta 1.5m.

The Ministry then faced administrative problems in handing over the funds to depositors and in winding up Fidecaya assets. Some regional savings banks were able to reimburse Pta 9.3bn on behalf of the Treasury. But such methods were not possible in all regions.

Rumasa stepped in last December. In return for bundling the return of the remaining Pta 5.7bn to depositors and a further Pta 1bn of debt, the Rumasa group of banks would take on Fidecaya's assets and 300 of its 550 employees. Rumasa would pay

back over 16 years the Pta 150n owed to the Treasury.

The Spanish monetary authorities object to the deal on the grounds that it allows Rumasa to get round restrictions on bank branch expansion.

At present a number of Rumasa's 18 banks are up against their growth ceiling. The injection of 300 new employees from Fidecaya presumably allows the group to circumvent the restrictions.

Sales increase at Migros but margins narrow

BY JOHN WICKS IN ZURICH

MIGROS has consolidated its position as Switzerland's biggest retailer by lifting its 1981 turnover by 6.3 per cent to a record SwFr 8.81bn (\$4.73bn). Its profit margin, however, fell to 4.45 per cent of sales, the lowest since 1975.

Nevertheless, Migros has increased slightly its market share. Retail sales of its 12 regional co-operatives rose 6.7

per cent in 1981 to SwFr 7.61bn (\$4.05bn) or about 13.7 per cent of Swiss retail sales, which rose 6.2 per cent last year.

Migros's retail food sales rose about 6.6 per cent to Sw Fr 5.17bn (\$2.75bn) with an unchanged market share of about 27 per cent.

Migros, its petrol station chain, increased its sales by 15.3 per cent to SwFr 596.6m.

JWT finds "fictitious earnings" Results at Esselte begin to recover

By David Lascelles in New York

JWT Group, parent of the J. Walter Thompson advertising agency, revealed last week that a total of \$24.5m in fictitious earnings had been fed into a computer at one of its subsidiaries.

The non-existent money was entered over a period of three years and nine months, the company said, with \$6.5m of it coming in the final quarter of last year.

The subsidiary, JWT Syndication, sells independently made television programmes to broadcasting stations in return for advertising time. A senior officer at the subsidiary has been suspended.

JWT, the largest advertising organisation in the U.S., said that write-downs following the discovery would reduce its 1981 earnings by between 62 per cent and 75 per cent. The results should be published soon.

LIONEL CORPORATION, the major New York-based toy manufacturer, has filed for voluntary bankruptcy after efforts to obtain more short-term credit from banks broke down. The proceedings involve the company and its two retail subsidiaries but not a component making subsidiary, Dale Electronics.

ESSELTE, the Swedish office supplies, packaging and printing group which bought Britain's Letraset last year, reports a SKR 20m fall in earnings to SKR 164m (\$38.5m) in the first nine months of fiscal 1982.

Group earnings, including Letraset for the year ending March 31, should, however, equal last year's SKR 281m.

Sales in the first three-quarters totalled just over SKR 4bn (\$969m), an increase of 18 per cent or 14 per cent if Letraset is excluded. For the year as a whole turnover is forecast to reach about SKR 5.75bn, ahead by just over SKR 1bn, of which Letraset would contribute some SKR 340m.

The nine-month profit decline is attributed to the deflationary government policies pursued in several of Esselte's most important markets. Sales improved a third in winter and part of the earnings setback of the first half was recovered.

Letraset is expected to contribute about SKR 15m to group earnings in the current year after deduction of interest costs incurred in the purchase, and more than SKR 50m in 1982-83.

Paribas Suisse lifts profit

BY OUR FINANCIAL STAFF

INCREASED PROFIT and a higher dividend are announced by Paribas Suisse, the former Paribas subsidiary now owned by Paragasa, a Swiss holding company.

At the net level, profit has risen by a fifth to SwFr 45.1m (\$23.8m) from SwFr 37.4m in 1980. The dividend is going up to 13.50 a share from SwFr 11.50.

Paribas Suisse, whose balance sheet expanded last year by more than a quarter to SwFr 4.02bn, was acquired by Paragasa last autumn in a move designed to protect the Swiss company from French bank nationalisation.

Earlier this year a deal was struck between Paragasa and Paribas of France aimed at restoring the links between the French banking and industrial group and its former subsidiary.

Barry D. Leskin as named vice president of human resources, a new position. He was director of human resources for Sun Petroleum Products Company.

Mr Philip J. Doherty and Mr P. H. Heerema have been elected to the board of directors of WILLIAMS INTERNATIONAL GROUP, INC., Tulsa, Ok.

Mr Pieter S. Heerema, who died last September, Mr Doherty executive vice president and chief financial officer of Williams International. Mr Heerema recently joined the Heerema Group after several years with Citibank in Amsterdam.

Mr Sheldon E. Boege, vice-president, has been appointed CITIBANK's senior officer for the Levant. He has succeeded Mr Timothy M. Kelley, who recently took up a new position with the bank in Africa. Mr Boege, who will be based in Athens, was previously a director of Saudi Arabian Bank, which is an affiliate of Citibank in Saudi Arabia.

Mr Howard Smith, president of Newswick International, has been named a senior vice-president of NEWSWEEK, INC., New York.

DEBORAH SERVICES has appointed the board of its new subsidiary, DSL as Norskstillestuette. Stavanger Chairman is Mr Arthur Laurence Britton a founder director and chairman of the main board of the DSL Group. Mr David Swales becomes vice-chairman and retains his position as group controller.

Mr Martin Hunsbo, Managing Director is Mr Martin Hunsbo and Mr Egil Huesbo who is also chairman and contracts director of the DSL Group central company, Hunsbo, which is one of the UK's largest scaffolding companies.

INTERNATIONAL APPOINTMENTS



Mr Christer Almqvist

Hule AB, one of Sweden's largest producers of plastic catering and packaging items.

Mr G. J. Hartley has joined ANTONY GIBBS AND SONS as a director in the export finance department. Initially he will be seconded to Wardley in Hong Kong.

Mr Edith Tordiman, president of AMAX INTERNATIONAL headquartered in Paris, has been assigned additional responsibility for international corporate communications. She is a director of Compagnie Francaise d'Entreprises Minieres, Metallurgiques et d'Investissements et of Societe de Promotion de Mines.

Mr Alan E. Nielsen has been named vice president of strategic planning at FITNEY BOWES, Stamford, Ct. Mr Denis F. Moliane, president of Connecticut Mutual Life Insurance Company, has been elected a director of FITNEY BOWES COMPANY, San Francisco, has appointed Mr

Mr Philip J. Doherty and Mr P. H. Heerema have been elected to the board of directors of WILLIAMS INTERNATIONAL GROUP, INC., Tulsa, Ok.

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Advertisement for CORPORACION VENEZOLANA DE FOMENTO U.S.\$50,000,000 SHORT TERM LOAN. Managed by BANCO MERCANTIL Y AGRICOLA C.A., BANCO DE VIZCAYA, DG BANK DEUTSCHE GENOSSENSCHAFTSBANK, SAMUEL MONTAGU & CO. LIMITED, TORONTO DOMINION BANK. Co-Managed by BANCA DEL GOTTARDO, B E G BANK EUROPAEISCHER GENOSSENSCHAFTSBANKEN, CAISSE NATIONALE DE CREDIT AGRICOLE, GENOSSENSCHAFTLICHE ZENTRALBANK AG, HESSISCHE LANDESBANK - GIROZENTRALE - NIPPON CREDIT BANK, LTD., RABOBANK CURAÇAO N.V. Provided by BANCA DEL GOTTARDO, BANCO DE BOGOTA, S.A., BANCO DE COMERCIO INTERNACIONAL (CURAÇAO) N.V., BANCO HERRERO, BANCO MERCANTIL Y AGRICOLA C.A., BANCO SAUDI ESPAÑOL, S.A., BANCO DE VIZCAYA, S.A., SAUDES BANK, B E G BANK EUROPAEISCHER GENOSSENSCHAFTSBANKEN, CAISSE CENTRAL DES BANQUES POPULAIRES, CAISSE NATIONALE DE CREDIT AGRICOLE, DG BANK DEUTSCHE GENOSSENSCHAFTSBANK, GENOSSENSCHAFTLICHE ZENTRALBANK AG, HESSISCHE LANDESBANK - GIROZENTRALE - NIPPON CREDIT BANK, LTD., RABOBANK CURAÇAO N.V., SAMUEL MONTAGU & CO. LIMITED, TORONTO DOMINION BANK. Agent BANCO MERCANTIL Y AGRICOLA C.A. February 1982

Table with columns: U.S. DOLLAR STRAIGHTS, FT INTERNATIONAL BOND SERVICE, EUROBOND TURNOVER. Includes various bond listings with columns for Issued, Bid, Offer, Day, Week, Yield, and other financial metrics.

# BUILDING AND CIVIL ENGINEERING

## Motorola picks Fairclough

FAIRCLOUGH Project Management has celebrated its first birthday by winning the first stage contract for Motorola's £60m expansion programme at its microchip production plant in East Kilbride, Scotland.

The group's project management division has picked up the contract—involving the design, construction and management of the phase three development—in the face of competition from UK and international project management specialists.

Motorola, the U.S. electronics company, announced the development programme last autumn and the plans will add about 100,000 sq ft of floorspace to its existing 150,000 sq ft semiconductor plant, which was opened 10 years ago.

The new extension is expected to be complete by mid-1984 and will provide work for about 800 people, in addition to the 1,300 employees already on the complex. The company considered making the new investment in France, West Germany and Japan.

The additional facility will represent one of the most technologically advanced buildings of its type in Europe and will enable production of high-speed micro-processors and memory products.

Orders received to date cover the concept and schematic design phases for a water fabrication facility, support buildings, liquid gas compounds, chemical warehouses and external works on a site next to existing plant. Key factors governing design will be the

low level of acceptable vibration and the special safety requirements for pyrophoric gases.

Phase three will be sufficiently flexible to accept future changes in production techniques and the new services plant and distribution systems will allow future integration of existing buildings to provide a centralised energy centre and distribution network.

Fairclough's success in picking up such a major contract highlights the growing role of project management in the construction industry and the conversion of increasing numbers of traditional contractors to the concept.

According to operations like Project Management International, traditional methods of handling a major construction project are no longer effective and the control of costs, time and quality has become an even greater priority in today's competitive conditions.

Such control, or "continuous watch-dog" activity, says PMI, should be the responsibility of an expert group which has developed procedures to improve the efficiency of the entire construction process—not just design, or construction. Senior partner, Derek Hammond claims to offer the largest independent project management company in the UK and for 17 years has been marrying together the various construction skills into one package.

The Hammond team provide a client with an organisation which relieves him of the day-

to-day responsibility for a major project, while at the same time guaranteeing accurate information on all stages of the work.

The total service can start with property advice, incorporating general planning assistance, negotiations with authorities and preparation of feasibility studies.

Co-ordinating the project takes in guidance on the selection of all members of the professional team, the type of contract and overall timescale involved, together with arrangement of finance and long-term strategy for the job. Financial control concerns all necessary reporting documentation to members of the professional team and the client, followed by stage-to-stage indications of the actual progress measured against the original plan.

On site, PMI co-ordinates all aspects of the construction process and gives an effective link between the client, the design team and the contractor.

Finally, the group will take on responsibility for commissioning, testing and co-ordinating the handover of a completed building as a whole, or in parts. Staff training, preparation of handover documents and the negotiation of maintenance contracts can also be organised.

PMI is "watchdogging" more than 50 projects at the moment, a third of them overseas, including Nigeria and California. The group has bases in the Middle East and Geneva but at home operates from a restored Queen Anne house at Harmondsworth, West Drayton, Middlesex.

## Gibraltar link proposals

CONTRACTS for a preliminary feasibility study and a design contract for a fixed link to join Europe and Africa at the Strait of Gibraltar have been placed with British consulting engineers and with an international consortium representing French, Spanish and Moroccan interests.

The contracts awarded in Morocco are part of a series of studies investigating the feasibility of a link to join Spain with Morocco. It has been estimated that the cost of the project could be at least \$1.25bn (£694m).

● A Dirhams 1m (£100,000) contract has been awarded to Freeman, Fox and Partners of London to provide designs for a possible bridge linking the countries. This will involve the identification of possible locations for a suspension bridge.

● At the same time an international consortium has been awarded a Dirhams 2m (£200,000) contract for an

economic feasibility study and a study of alternatives for the link—including a bored tunnel, submerged tube, pontoon bridge or causeway. About six international consortia are understood to have bid for the contract.

The consortium comprises two French companies, the Paris-based Société d'Etudes Techniques et Economiques (SETEC) and the Grenoble-based Société Grenobloise Etudes Aqua-Hydraulique (SOGREAH) as well as a Spanish and a Moroccan company. The contract for a feasibility study was awarded by the Rabat-based Société Nationale d'Etudes pour le Détroit.

A further study, this time for a rail-only tunnel, is being carried out by the Madrid-based Sociedad Estudios y Comunicaciones del Estrecho de Gibraltar.

ALAN ELLIS

## HVCA not satisfied with Bournemouth answer

THE HEATING and Ventilating Contractors' Association says it is not satisfied with the reasons given by the Borough of Bournemouth to justify the award of a £2.4m contract to the subsidiary of a Dutch company for building services for the town's West Cliff Centre without inviting competitive tenders from British contractors.

Association members and some local ratepayers felt concerned about the circumstances leading up to the placing of the contract, which the HVCA claims is contrary to the requirements of EEC Directive 71/305, and may contravene the borough's own standing orders which require tenders in open competition for work above a specified value—in Bournemouth Borough's case £4,000.

The council says it awarded the work to ADEC (Anglo Dutch Energy Conservation) on the recommendation of its appointed consultants, Mott MacDonald 2.

Module 2 had specified the Dutch Glison system for the heating, ventilation, air conditioning and water treatment for

the entire new complex, and said that the sole UK agent (ADEC) would have to undertake the supply and installation of the equipment.

The Association does not accept that the 50-60-year track record of several local members could not stand up to competition from the Dutch-owned company and asks why—if the patented Glison system was considered superior to British equivalents—had no one connected with the project been able so far to identify its advantages publicly?

One of the highlights of the HVCA's list of "unusual circumstances" leading up to the placing of the award concerns an advance cash payment in ADEC of £1,365m.

A local secretary, Tony Ventrella claims this is "unheard of." "Why was this money paid up front to a foreign-owned company when home-based contractors often have difficulty in getting paid by local authorities for work already completed?" Mr Ventrella also asks: "If a 50 per cent cash advance is

justified in exchange for a fixed price, will the borough undertake to make similar advance payments on all future fixed-price contracts involving HVCA members?"

He has already asked the Secretary of State for the Environment to look into Bournemouth Borough's handling of the award procedure and has been told by Mr Hinchin's office to refer the circumstances to Bournemouth's District Auditor.

While awaiting a reply from the latter, Mr Ventrella has sent a letter to Mr Keith Lomas, the borough's chief executive and town clerk, in which the HVCA asks for specific questions designed to clarify the affair.

Mr Lomas told the FT that he had not received the letter and would comment on the Association's queries as soon as he was able to do so.

DEBORAH PICKERING

## 'Better value' aggregates federation

FIVE MAJOR construction products suppliers have resigned their memberships of four trade associations in favour of joining the British Construction Materials Industries which is due to come into existence on April 1.

The breakaway companies, with a collective clout of millions of pounds, include Amey Roadstone Corporation, ECC Quarries, Redland Aggregates, Farmac Roadstone and Ticon, which believes that their support of the new BCMI will result in members receiving 'better value for money and much less dissipation of valuable board members' time.

The Associations feeling the pinch are ACMA (Asphalt and Coated Macadam Association), RQSF (British Quarrying and Slag Federation), BRMC (British Ready-Mixed Concrete Association) and SAGA (Sand and Gravel Association).

But the asphalt and quarrying

bodies will merge into the new organisation and the squeeze is really on BRMCA and SAGA, which are against participation and will continue to operate as separate entities.

Members already opting to support BCMI have vested interests in sand and gravel and ready-mixed concrete not a million tons away in volume terms from those represented by the remaining organisations.

The first five have for many years talked about a proposed merger and found their initiative supported by ACMA and BSQF which, although at the

moment continue to function autonomously, will become totally absorbed into the new set-up.

Director-general designate, Robert Phillipson (formerly with the British Road Federation) has already taken up his post at 25, Lower Belgrave Street, London SW1 (also ACMA headquarters) where, he promises, the new federation will "feed time, people and resources in a more professional framework" and offer better value for subscription money to the newly-acquired and future members.

## INTERNATIONAL CONTRACTS

TWO JAPANESE construction companies have been given a \$13m ringgit (£73m) contract to build Malaysia's international commodities exchange building in Kuala Lumpur.

The contract was signed between the Government-owned Urban Development Authority and TAKENAKA, KOMUTEN and KUMAGAI GUMI construction companies.

The Japanese won the contract, even though their price was £11m higher than a local contractor because of their superior building techniques, which UDA officials hope to pick up.

The building, comprising a five-storey podium block and a 33-storey tower block, is to be ready within 26 months, and will have a gross area of 1.6m sq ft.

The whole international commodities exchange building, including land, piling and building is expected to cost 500m ringgit (£116.6m).

Recently, UDA entered into a partnership with the Kuok Brothers, a leading Malaysian Chinese group, to develop an area in the Kuala Lumpur "Golden Triangle" area for an international hotel, office and residential blocks costing close to 700m ringgit (£163.3m).

bank's Singapore headquarters. Chartered Bank chief manager, Mr C. W. G. Endacott, said the cost of the whole project was over \$510m (£28.5m) and when completed in early 1984, it will be the largest building within the Chartered Bank organisation worldwide.

THE CHARTERED BANK has awarded a \$315m (£29.4m) contract to two Japanese construction companies to build its 42-storey building in Singapore.


UK CONTRACTS OVERSEAS

MARINE DEVELOPMENT of Glasgow has secured a contract worth \$4m (£2.3m) to build a roll-on/roll-off terminal for the Port of Darwin in Australia. The ship-to-shore bridge, using the company's Linkspan patents, will be 85 metres long and will be fabricated in Singapore.

LETTERS OF INTENT for \$200,000 worth of cement-mortar piling for the seawater cooling intake for the 500 MW extension to the Bombay Thermal Generating Station, just outside Bombay in India, have been received by APE PIPELining SERVICES.

JAPAN DEVELOPMENT AND CONSTRUCTION COMPANY (JDC) and HAZAMA-GUMI will construct the building under a new joint venture company, JDC/Hazama-Gumi. The building, to be erected on a 4,566 square metre site in Battery Road, will house the

This advertisement complies with the requirements of the Council of The Stock Exchange



## Continental Illinois Overseas Finance Corporation N.V.

(Incorporated with limited liability in the Netherlands Antilles)

Issue of U.S. \$100,000,000  
15 3/4 per cent. Guaranteed Notes due March 1, 1989

Unconditionally Guaranteed as to Payment of Principal, Premium, if any, and interest by

### Continental Illinois Corporation

(Incorporated with limited liability in the State of Delaware)

The issue price of the Notes is 100 per cent. of their principal amount. Interest will be payable annually in arrears beginning on March 1, 1983.


The following have agreed to subscribe or procure subscribers for the Notes:-

Morgan Grenfell & Co. Limited	Bank of America International Limited	Bank Brussels Lambert N.V.
Bear, Stearns & Co.	Deutsche Bank Aktiengesellschaft	Citicorp International Group
Manufacturers Hanover Limited	Merrill Lynch International & Co.	Kidder, Peabody International Limited
Shearson/American Express International Limited	Orion Royal Bank Limited	S.G. Warburg & Co. Ltd.

The 20,000 Notes of \$1,000 and 8,000 Notes of \$10,000 each constituting the above issue have been admitted to the Official List by the Council of The Stock Exchange.

Particulars of the Notes and the Company are available in the statistical services of Extel Statistical Services Limited and may be obtained during usual business hours up to and including March 12, 1982 from the brokers to the issue:

Cazenove & Co.,  
12, Tokenhouse Yard,  
London EC2R 7AN



## HOW SHELL'S SMART DISCOVERY CAN MAKE A BIG SAVING ON YOUR HEATING BILLS—UP TO 25%.

One of the contributions to profit a firm can make in today's tough business climate is to save on heating bills.

Over a third of heat escapes through uninsulated cavity walls. But you can cut the loss and save up to 25% on heating bills with the help of Shell Dry Cavity Wall Insulation, the proven system.

**PROVEN IN PRACTICE**

We've tested its effectiveness at the Shell Laboratories where the system was developed. Just as important, it is proving itself in practice with over 20,000 installations made last year alone. The system is also used by Government and local authorities throughout the United Kingdom.

But what makes it so different?

**SAFE AND ECONOMICAL**

At the heart of Shell's Dry Cavity Wall Insulation system is a tiny polystyrene bead. When millions of them are blown into wall cavities, their light coating of adhesive bonds them together.

Thus a heat saving barrier is formed. Shell's bonded bead system won't shrink or crack, and the tiny pockets of air trapped between the beads enables the cavity to breathe and any moisture to drain away.

It retains this effectiveness whatever the weather, having been tested by independent research under every climatic extreme the British Isles can offer.

Shell Dry Cavity Wall Insulation is very simple and economical to install. As well as saving you money on energy, it can qualify you for valuable tax advantages.

**LIFETIME GUARANTEE**

The Shell Dry Cavity Wall Insulation system is guaranteed for the lifetime of the structure.

To get full details on how to save on your company's heating bills, fill in the FREEPOST coupon or ring the Commercial Department on Derby (0332) 372883.

To: Thermocomfort Ltd., FREEPOST, Derby DE1 9ER. (No stamp required)

Please send me your technical brochure. FT22/2


Name \_\_\_\_\_

Address \_\_\_\_\_

Postcode \_\_\_\_\_

Tel. No. \_\_\_\_\_

Personal enquiry  Business enquiry  Please tick



## SHELL DRY CAVITY WALL INSULATION

Marketed by Thermocomfort Limited, a member of the Royal Dutch/Shell Group of Companies.

<p>For business Cars and Vans Tel 0783 44122</p> <p><b>COWIE</b></p> <p>CONTRACT HIRE LTD</p> <p>A Cowie Group / Forward Trust Joint Venture Company</p>	<p>Plastics soil waste, rainwater &amp; underground drainage</p> <p>Tel: Walsgrave (0222) 77811 Telex: 962160</p> <p><b>TERRAIN</b></p> <p>Systems for Professionals</p>	<p><b>SPECTUS WINDOWS</b></p> <p>(a Division of Gradus Ltd. a major extrusion and window company)</p> <p>ARE SEEKING PARTNERS/AGENTS TO DEVELOP MARKET FOR A NEW ALL-BRITISH UPVC WINDOW SYSTEM</p> <p>Being launched in March 1982</p> <p>Established window companies only</p> <p>Contact Geoff Card General Manager</p> <p>Tel: 0625 616199</p>
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# CONTRACTS AND TENDERS

## COAL EXPORT TERMINAL: A REQUEST FOR LETTERS OF INTEREST FROM DEVELOPERS.

New York City's proposed coal export terminal at Stapleton, Staten Island makes good economic sense. In fact, we believe the project's success will be virtually guaranteed by the economic advantages which the Port of New York offers.

- Deepest draft channel on the East or Gulf Coast—68' allowing ship sizes up to 260,000 DWTs.
- Cheapest dredging costs on East or Gulf Coast—\$150 million to deepen to 68' and minimal maintenance charges.
- Shortest sailing time to Europe over major East and Gulf Coast coal ports: 1-4 days saved.
- Direct access from U.S. coal fields in Pennsylvania, Ohio, Kentucky, and West Virginia via Conrail and/or CSX.
- Most efficient transport and handling operations: terminal designed for unit trains.

The City has already determined the general design of the project, which features a coarse-coal slurry pipeline system designed to move the coal across Staten Island. The entire system including the slurry pipeline, coal storage, rail terminal and loading pier will cost an estimated \$150 million and have a capacity of 20 million tons of coal per year. We intend to open the terminal by early 1986. The City has already contracted with engineering, environmental and urban design consultants. We are now seeking private development groups willing to build, finance and operate the facility.

The City requests Letters of Interest now from all potential developers and users. Each Letter of Interest should include: latest annual reports; a complete description of the firm and its subsidiaries; a discussion of the firm's strengths in coal, rail, shipping, construction or finance; and what role the firm would take in terminal development, operation and/or use. Companies may submit Letters of Interest individually or as joint ventures. Each participant in a joint venture must provide all of the items listed above.

Letters of Interest should reach the Department of Ports and Terminals no later than April 2, 1982. All respondents will be kept informed of the project's progress. Depending on the extent and type of response, the City may issue a formal Request for Proposals to qualified developers who have submitted the Letters of Interest.

Any firm having questions about the format of the Letter of Interest or wishing further information may contact the Department of Ports and Terminals of the City of New York.

Walter Armstrong, Project Director, New York City Department of Ports and Terminals, Battery Maritime Building, New York, New York 10004 (212) 248-8018



### FROM THE GENERAL DIRECTORATE OF TURKISH STATE RAILWAYS (TCDD)

Sealed bids are invited to an international competitive bidding for the supply and installation of complete signalisation systems required by our administration for the (577 km) Iskenderun-Divrigi railway line. The foreign payments of this project will be financed through the Saudi Fund for Development Loan.

1. Only the bidders who are not within the scope of the boycott resolutions of the Kingdom of Saudi Arabia and the League of Arab States may participate in this bidding.
2. The related bidding specifications are prepared in Turkish and in English and may be purchased from our Central Cash Office, Ankara at a cost of TL30,000 or the equivalent foreign currency.
3. The sealed bids must reach or personally be submitted to the address of TCDD İstisem Genel Müdürlüğü "Özel Satınalma Komisyonu" Malzeme Dairesi Başkanlığı, Ankara, Turkey, not later than 15.00 hours on Tuesday 7th September 1982. The bids reached after this date and delays in mail will not be taken into consideration.
4. The bids must be submitted in three copies in Turkish or in English and the bid envelopes must be addressed to TCDD İstisem Genel Müdürlüğü, "Özel Satınalma Komisyonu" Malzeme Dairesi Başkanlığı, Ankara, Turkey, and shall bear the subject title "Suudi Arabistan Kalkınma Fonu Kredisi/İskenderun-Divrigi Demiryolu Hatlı Sinyalizasyon Tesisi" Taklifidir.
5. The bidders will also submit a bid bond at the rate of 2.5% of the total value together with their bids.
6. TCDD reserves the right of making modification in the bidding specifications prior to the bid deadline.
7. TCDD is completely free to withhold or to make the award in full or in part to any bidder of its free choice.

### INTERNATIONAL TENDER FOR THE PURCHASE OF ROAD CONSTRUCTION EQUIPMENT INVITATION NO. T-09/74

The provisional Military Government of Socialist Ethiopia, Ethiopian Transport Construction Authority announces the release of an international tender for the purchase of Road Construction and Transport Equipment. The Government has received a credit from the International Development Association toward the cost of the Addis Ababa Overlay Project and intends to apply the proceeds of this credit to eligible payments under the contracts for which this invitation to Bid is issued. Interested Suppliers from member countries of the World Bank Switzerland and Taiwan are invited to collect Bid documents during office hours from the Procurement Office, Room 106, of the Ethiopian Transport Construction Authority against payment of Birr 20.00 for each set of documents.

Bids will be opened in public in the Conference Room, 4th floor of the Ethiopian Transport Construction Authority headquarters building on April 1, 1982, 10.00 hours Addis Ababa time. The Authority reserves the right to reject any or all bids that are not in conformity with all conditions and specifications mentioned in the Bid Documents.

**ETHIOPIAN TRANSPORT CONSTRUCTION  
AUTHORITY**

### INTERNATIONAL TENDER FOR THE PURCHASE OF ROAD CONSTRUCTION AND MAINTENANCE EQUIPMENT INVITATION NO. T-08/74

The provisional Military Government of Socialist Ethiopia, Ethiopian Transport Construction Authority announces the release of an international tender for the purchase of Road Construction and Maintenance Equipment.

A loan is available from the African Development Fund (A.D.F.) and interested bidders from member countries and participating states of the A.D.F. are requested to collect bid documents and specifications during office hours from the Procurement Office, Room 106, of the Ethiopian Transport Construction Authority against payment of Birr 20.00 for each set of documents.

Bids will be opened in public in the Conference Room, 4th floor of the Ethiopian Transport Construction Authority headquarters building on April 15, 1982, at 10.00 hours Addis Ababa time. The Authority reserves the right to reject any or all bids that are not in conformity with all conditions and specifications mentioned in the tender.

**ETHIOPIAN TRANSPORT CONSTRUCTION  
AUTHORITY**

### INTERNATIONAL BIDDING

Under the terms of a World Bank loan, the Port of Bar Working Organization (PBWO), Bar, Yugoslavia, invites bids for manufacture, delivery and erection of general and bulk cargo handling equipment comprising:

- I For handling ores and coal, conveyor and control systems, reclaimers and stacker units, and railway wagon loader.
- II General cargo-handling equipment consisting of two cranes of 20 t capacity each, and
- III Equipment for general maintenance workshop.

The final date for delivery and erection of all equipment is November 30 1982.

Interested bidders may obtain the bidding documents from the PBWO at B1550 Bar, against payment of dinars 10,000 to the account no. 20130-601-14633 for Yugoslav bidders, or US dollars 350 to the account no. 20100-620-37-25730-01/25 for foreign bidders, at the Investicione Banka - Udruzenia Banka - Titograd, with indication RO Luka Bar - RZ "Izgradnja".

The closing date for submission is 10.00 hours on April 30 1982. Public opening of bids will take place on the same date at 11.00 hours at PBWO's office.

Bidders only from the IBRD member countries, Switzerland and Taiwan are invited to participate in this international competitive bidding.

### COMPANY NOTICE

#### THE COMPANIES ACTS 1948 to 1980 NOTICE TO DISSENTING SHAREHOLDERS

Pursuant to Section 203 (1) of the Companies Act 1948, in the matter of TANKS CONSULTANTS INVESTMENTS INCORPORATED, the transferor company, and the transferee company, notice is hereby given to the dissenting shareholders of the transferee company.

WHEREAS on the 19th day of October, 1981 the transferee company made an offer to all the holders of the ordinary stock of the transferee company on the basis of 4500 in cash for each ordinary share of the transferee company of the nominal value of 100p, being a date within four months of the date of the making thereof such offer was approved by the holders of not less than nine tenths in value of the said ordinary stock of the transferee company (as defined in the Companies Act 1948) and the transferee company or its subsidiary, NOW THEREFORE the transferee company in pursuance of the provisions of Section 203 (1) of the Companies Act 1948 hereby gives notice that it desires to acquire the ordinary stock held by the dissenting shareholders of the transferee company and the transferee company and the transferee company hereby gives notice that it desires to acquire the ordinary stock held by the dissenting shareholders of the transferee company and the transferee company and the transferee company hereby gives notice that it desires to acquire the ordinary stock held by the dissenting shareholders of the transferee company and the transferee company.

Witness my hand and seal this 22nd day of February, 1982.

LEUMI INTERNATIONAL INVESTMENTS N.V.

US \$25 MILLION GUARANTEED FLOATING RATE NOTES "A" 1987

EXTENSION TO THE HOLDERS

The interest rate applicable to the above Notes in respect of the period commencing 22nd February 1982 has been fixed at 10.00% per annum.

The interest amounting to US \$44.88 per \$1,000 of principal is payable on the 15th day of March, 1982.

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### ART GALLERIES

#### BROWNS & DABRY, 10, York St., W1

7.50 - 7.54. T. BROWNS - Recent

FIELDSTONE, 85, Queens Gate, W1

11.00 - 11.00. FIELDSTONE - Recent

MATHAY GALLERY, 22, Montpelier Street, London, W1

12.00 - 12.00. MATHAY GALLERY - Recent

MARLBOROUGH, 5, Albemarle St., W1

13.00 - 13.00. MARLBOROUGH - Recent

WHITECHAPEL ART GALLERY, Whitechapel Rd, E1

14.00 - 14.00. WHITECHAPEL ART GALLERY - Recent

SLACKMAN HARVEY GALLERY, 17, Rivington St, E1

15.00 - 15.00. SLACKMAN HARVEY GALLERY - Recent

SLACKMAN HARVEY GALLERY, 17, Rivington St, E1

16.00 - 16.00. SLACKMAN HARVEY GALLERY - Recent

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22.00 - 22.00. SLACKMAN HARVEY GALLERY - Recent

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23.00 - 23.00. SLACKMAN HARVEY GALLERY - Recent

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24.00 - 24.00. SLACKMAN HARVEY GALLERY - Recent

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25.00 - 25.00. SLACKMAN HARVEY GALLERY - Recent

SLACKMAN HARVEY GALLERY, 17, Rivington St, E1

26.00 - 26.00. SLACKMAN HARVEY GALLERY - Recent

SLACKMAN HARVEY GALLERY, 17, Rivington St, E1

27.00 - 27.00. SLACKMAN HARVEY GALLERY - Recent

SLACKMAN HARVEY GALLERY, 17, Rivington St, E1

### THEATRES

#### VICTORIA PALACE THEATRE, Open March 11

March 11 - Limited season. Victoria Palace Theatre. Open March 11. Limited season. Victoria Palace Theatre. Open March 11.

THE LITTLE FOXES by LILIAN HELLER. March 11 - Limited season. Victoria Palace Theatre. Open March 11.

MEAN ADVANCE. Box office open 11.00. Victoria Palace Theatre. Open March 11.

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### BUSINESSMAN'S DIARY

#### UK TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current	Video Software Show (01-886 2500) (until Feb 22)	Heathrow Hotel
Current	Scottish Gifts Fair (01-886 9201) (until Feb 25)	Keilvin Hall, Glasgow
Feb 24-25	Oil, Gas, Petroleum and Process Plant Exhibition (01-887 0841)	Bloomsbury Centre, London
Feb 24-26	Unit Load Show (01-808 2122)	Wembley Conference Centre, Wembley
Feb 28-Mar 4	International Light Show (0248 88896)	NEC, Birmingham
Mar 1-4	Hydraulics and Pneumatics Exhibition (01-898 5041)	NEC, Birmingham
Mar 2-6	International Production Engineering and Productivity Exhibition and Conference (01-747 3151)	Olympia
Mar 4-7	National Glassing Exhibition (01-886 2630)	Currier International Exhibition Centre, Harrogate
Mar 7-9	Footwear and accessories show (01-738 2071)	NEC, Birmingham
Mar 9-13	The Business Enterprise Show (01-436 3718)	Old Town Hall, Earis Court
Mar 9-30	Chelsea Antiques Fair (0727 86089)	NEC, Birmingham
Mar 9-Apr 3	Daily Mail Home Exhibition (01-222 9341)	Olympia
Mar 14-17	International Glass and Glass Technology Exhibition-GLASSEX (0378 77966)	Olympia
Mar 14-18	Antiquip Exhibition (01-236 7000)	Olympia

#### OVERSEAS TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Feb 23-26	TECHEX '82 - Annual Technology Exchange Fair (01-884 5748)	Lyons
Feb 23-27	International Rubber and Plastics Exhibition for Asia (01-889 5041)	Singapore
Feb 25-28	Scandinavian Menswear Fair and Fashion Week (01-640 1101)	Copenhagen
Feb 27-Mar 3	International Fair (01-734 0643)	Jakarta
Mar 2-6	Construction Indonesia '82 (01-496 1851)	Dusseldorf
Mar 5-9	Winter Sports Fashion Exhibition (01-889 3264)	Sao Paulo
Mar 7-10	International Fashion Trade Fair - IGEDO (01-409 0956)	Dublin
Mar 7-14	International Agricultural Exhibition (01-439 3964)	Dublin
Mar 11-21	Household Appliance Trade Fair (01-496 8896)	Dublin
Mar 16-21	Brighter Homes and Do-It-Yourself Exhibition (Dublin 694022)	Dublin

#### BUSINESS AND MANAGEMENT CONFERENCES

Date	Title	Venue
Feb 24	City University: Financial Futures Markets (01-930 0111)	London, EC1
Feb 25-26	The Economist: The World Market: protectionism or co-operation and expansion? (01-889 7000)	Hyde Park Hotel, W1
Feb 25	The Banker/CP/C/CCI: Growing Trade: Reconciling the problems facing International Banks: establishing and developing a physical presence in the City of London (01-629 3483)	Cannon Street, EC4
Feb 25	Don and Bradstreet: Fundamentals of credit management - for credit personnel and those concerned with trade debtors (01-247 4277)	Alday Hotel, Birmingham
Mar 1-2	FT Conference: The Fourth World Motor Conference (01-821 1355)	Geneva
Mar 3	DIBC (UK): The credit analysis of international banks (01-788 5128)	City Conference Centre, EC3
Mar 4	LCCL Conference on West Germany (01-245 4444)	Cannon Street, EC4
Mar 4-5	International Commercial Arbitration Symposium (02 251200)	Stockholm
Mar 8-9	AMR/Euroforum: Aerospace International Shipping Financing Energy Techniques (01-262 2732)	London Press Centre
Mar 10-12	Esomar: Probable co-operation of manufacturers and retailers (020 449895)	Munich
Mar 11-13	Summit Conference and Exhibit: Growth in the 80s (04612 3675)	Churchill Hotel, W1
Mar 15-18	IPM: The Elements of Salary Administration (01-946 9100)	Embassy Hotel, W2
Mar 17	Institute of Credit Management: National Conference (0990 23711)	Hilton Hotel, W1
Mar 17-18	FT Conference: European Pulp and Paper in the 80s (01-621 1355)	Finlandia Hall, Helsinki
Mar 18	Institute of Marketing: Action for Recovery Conference (01-680 7525)	Hilton Hotel, W1
Mar 18-19	London Export Conference: Nigeria - Future Programmes (022 3577)	Churchill Hotel, W1
Mar 18	Institute of Marketing: National Conference (06225 24823)	Hilton Hotel, W1
Mar 20	University of Reading: Strategic Factors in the Growth of International Business (0734 35123)	Reading
Mar 22	Oyez-IBC: European Symposium on the CANDU Reactor (01-242 2481)	Portman Hotel, W1
Mar 23	IPS: Currency Differentials (0990 23711)	Midland Hotel, Manchester
Mar 25-27	The Institute of Administrative Management: Administrators of the Future (01-658 0171)	Bournemouth

Anyone wishing to attend any of the above events is advised to



20 Companies and Markets

CURRENCIES, MONEY and GOLD

RECENT ISSUES

MONEY MARKETS

COLIN MILLHAM

Signs of optimism

A slightly more optimistic note could be detected in the markets towards the end of last week, largely as a result of confidence that the upward trend in U.S. interest rates may not be sustained.

cause problems for the Administration. In Europe rates were steadier, during a week when credit conditions tended to tighten. Tax payments failed to have much impact on call money in Frankfurt, which remained slightly above the 10 per cent level throughout.

were reinforced by a cut in the Bank of France's money market intervention rate to 14 1/2 per cent from 14 per cent for a purchase of FF 190a of first category paper.

14 1/2 per cent on Friday, to show little change on the week. Bank of England money market dealing rates were unchanged, but discount houses buying rates for eligible bills eased to 13 1/2 per cent from 13 per cent, and the average rate of discount at the Treasury bill tender fell to 13.6173 per cent from 13.7844 per cent.

WEEKLY CHANGE IN WORLD INTEREST RATES

Table showing weekly change in world interest rates for various regions including London, New York, Frankfurt, Paris, Milan, and Amsterdam.

BANK OF ENGLAND TREASURY BILL TENDER

Table showing details of the Bank of England Treasury Bill tender, including bills on offer, total applications, and accepted bids.

FT LONDON INTERBANK FIXING

Table showing interbank fixing rates for 3 months U.S. dollars and 6 months U.S. dollars.

LONDON MONEY RATES

Table showing London money rates for various currencies and terms.

EURO-CURRENCY INTEREST RATES (Market closing rates)

Table showing Euro-currency interest rates for various currencies and terms.

THE DOLLAR SPOT AND FORWARD

Table showing dollar spot and forward rates for various currencies.

CURRENCIES AND GOLD

Dollar weaker

The dollar weakened towards the end of last week as a reaction to the lower trend in U.S. interest rates. On previous days the dollar suffered some profit taking after its recent advance, but there was a long weekend holiday in the U.S. and the market feared an adverse reaction to more bad money supply figures.

in terms of the Swiss franc; and to 253.25 from 253.25 against the Japanese yen. Starting index was again very steady, finishing unchanged at 51.6. The pound rose to \$1.3540 from \$1.3400 against the dollar, but fell to DM 4.3850 from DM 4.3950.

THE POUND SPOT AND FORWARD

Table showing pound spot and forward rates for various currencies.

GOLD

Table showing gold prices for various currencies.

OTHER CURRENCIES

Table showing other currency rates for various countries.

EXCHANGE CROSS RATES

Table showing exchange cross rates for various currencies.

CURRENCY MOVEMENTS

Table showing currency movements for various currencies.

CURRENCY RATES

Table showing currency rates for various currencies.

RECENT ISSUES

EQUITIES

Table showing recent issues in equities, including issue price, amount, and dates.

FIXED INTEREST STOCKS

Table showing fixed interest stocks, including issue price, amount, and dates.

"RIGHTS" OFFERS

Table showing rights offers for various companies, including issue price and amount.

LOCAL AUTHORITY BOND TABLE

Table showing local authority bond details, including authority name, interest rate, and maturity.

OFFSHORE & OVERSEAS FUNDS

Large table listing various offshore and overseas funds, including fund names, managers, and details.

FT INTERNATIONAL TRUST INFORMATION SERVICE

Large table listing international trust information services, including fund names, managers, and details.

AUTHORISED UNIT TRUSTS

Table listing various unit trusts such as Abbey Unit Tr. Mgrs., Allied Hambro Ltd., and others, with columns for name, address, and contact information.

FT UNIT TRUST INFORMATION SERVICE

Main table of unit trusts including categories like Lloyds Unit Tr. Mgrs., Save & Prosper Group, and various investment funds with their respective performance metrics.

INSURANCE PROPERTY BONDS

Table listing insurance and property bond companies such as Abbey Life Assurance Co. Ltd., Equi & Law Life Ass. Co. Ltd., and others.

Large table on the right side of the page listing various financial products, insurance policies, and investment services with detailed descriptions and contact information.

NOTES: Prices are in pence unless otherwise indicated. Prices are shown in full column after all relevant discounts, a different column after all relevant discounts, a different column after all relevant discounts...









# FINANCIAL TIMES

Monday February 22 1982



## Dispute over rail settlement grows

By Margaret Van Hattem

THE ROW between British Rail and the Government over last week's settlement of the rail drivers' dispute intensified yesterday, as both sides refused to accept responsibility for the outcome.

Sir Peter Parker, the British Rail chairman, clearly feels he was under pressure from senior Ministers to drop his demands for an explicit commitment from Aslef, the drivers' union, to ending the guaranteed eight-hour day.

This pressure is understood to have been applied through senior officials at the Department of Employment and Transport at a meeting last Wednesday afternoon.

However, Downing Street was adamant yesterday that no such pressure had been applied. If senior officials gave such an impression, they did so without Ministerial authority, it was stressed.

Yesterday, as trains resumed normal running for the first time in more than six weeks, both sides expressed their determination that BR should win the battle with Aslef over flexible rostering.

Sir Peter has made it clear he will resign if, through lack of Government support or for any other reason, he fails in the attempt.

The Prime Minister accepts that success on this issue is crucial to the future of BR and is prepared to support Sir Peter. He is also confident of support from Mr David Howell, the Transport Secretary.

However, some Cabinet ministers have made little effort to disguise their satisfaction over his discomfort during the past week.

Sir Peter appears to anticipate considerable opposition from the Treasury ministers, from the Prime Minister's economic adviser, Prof. Alan Walters, and from the Cabinet Office.

His attempts to push through a deal on flexible rostering could be hindered by the bad feeling created over the past week.

The Government confirms that senior ministers, led by Mr Howell, "beat the touch" with the BR Board throughout the dispute, but insists that at no time was Sir Peter instructed or advised to "capitulate".

The message from those close to Sir Peter, however, is that senior civil servants made it clear that he was expected to accept a compromise clause which, while not referring to the eight-hour day, left all options open.

## Weather

Table with columns for location, temperature, and weather conditions. Includes UK TODAY, Central and E. England, N. Ireland, W. Scotland, Sunny intervals and showers, perhaps sleet or snow later, Max. 6C (43F), Rest of Scotland, N.E. England, W. Midlands, Cloudy with occasional sleet or snow, Max. 5C (39F), W. and W. England, Cloudy with rain, sleet or snow, brighter later, Max. 7C (45F), Outlook: Bright intervals and showers.

## RESEARCH 'TOO COSTLY' AS OIL PRICES FALL

# Synthetic fuel projects hit

BY RAY DAFTER, ENERGY EDITOR

FALLING OIL prices are forcing energy corporations to postpone and cancel investment projects costing billions of pounds.

Leading oil companies said at the weekend that they were reviewing their spending programmes because of projections about oil prices. They are worried that the energy from the proposed fuel projects could be more expensive than conventional crude oil.

A number of big corporations said they were working on the assumption that the average contract price of crude oil may not rise at all in real terms in the 1980s. This was affecting their evaluation of schemes—such as synthetic fuel plants—which could be viable only with increased energy prices.

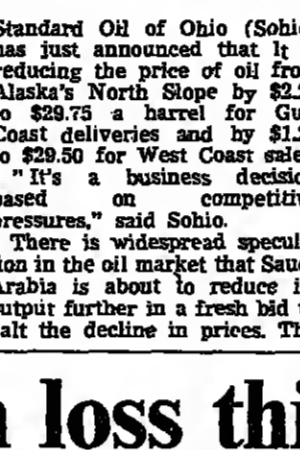
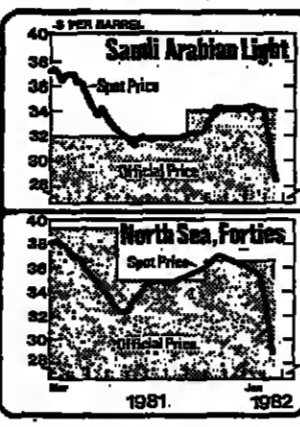
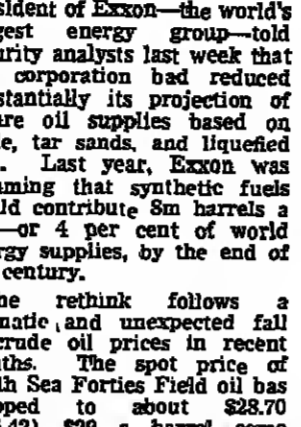
Industry estimates indicate that the production alone on synthetic oil (excluding processing, distribution and taxation) cost between \$20 and \$40 a barrel in 1980 dollars. This compared with \$1 to \$3 a barrel needed to produce Middle East oil and between \$5 and \$20 needed for North Sea crude.

Mr Howard Kaufmann, president of Exxon—the world's biggest energy group—told security analysts last week that the corporation had reduced substantially its projection of future oil supplies based on shale, tar sands, and liquefied coal.

Last year, Exxon was assuming that synthetic fuels would contribute 8m barrels a day—or 4 per cent of world energy supplies, by the end of the century.

The rethink follows a dramatic and unexpected fall in crude oil prices in recent months. The spot price of North Sea Forties Field oil has dropped to about \$23.70 (\$15.42)—\$9 a barrel—some \$6 a barrel below the contract rate and \$10 below prices paid a year ago.

Spot prices of Middle East crudes are even lower. London traders reported that Arab Light crude had fallen to about \$28.50 and Arab Heavy oil was valued on the spot market at \$26 a barrel.



Standard Oil of Ohio (Sohio) has just announced that it is reducing the price of oil from Alaska's North Slope by \$2.27 to \$29.75 a barrel for Gulf Coast deliveries and by \$1.27 to \$28.50 for West Coast sales.

It's a business decision based on competitive pressures, said Sohio. There is widespread speculation in the oil market that Saudi Arabia is about to reduce its output further in a fresh bid to halt the decline in prices. The

kingdom, which recently allowed its production to fall from 8.5m b/d to around 7.6m b/d is expected to reduce its output to about 6.5m b/d.

The Saudis are trying to maintain the official Organisation of Petroleum Exporting Countries reference price of \$34 a barrel. In the same way, British National Oil Corporation has been resisting industry pressure to lower North Sea prices below the present contract rate of \$35.

Against the background of falling oil prices there is mounting concern in the industry and the International Energy Agency that the developed world may be falling into a new energy trap.

It was pointed out that by postponing energy development projects—like synthetic fuel plants—the industry would remain dependent on conventional crude oil supplies. This would make the developed world vulnerable to new supply crises.

## BA expects £200m loss this year

BY LYNTON McLAIR

BRITISH AIRWAYS is expected to have lost at least £200m in the financial year to the end of March, but is still confident of breaking even or perhaps making a small profit in 1982-83.

The scale of the loss for 1981-82 became apparent only days after Mr Iain Sproat, the junior trade minister with responsibility for aviation, confirmed that the Government still intended to sell the state-owned airline to the private sector.

"I want to make it clear that the Government intends to de-nationalise British Airways and we are pressing ahead with plans to do so as fast as practicable," Mr Sproat said on a visit to East Midlands Airport last week.

British Airways was unable to put a precise figure on the loss for this financial year. However, it said that approximately £100m of the loss was directly attributable to its call for voluntary redundancies.

The cost of the redundancy programme for this financial year and for 1982-83 is expected to reach £150m. So far, the airline is on target to meet its plan for 9,000 redundancies by June. The workforce is 49,000, compared with 52,000 when the plans were announced in the autumn.

The airline was given permission by the Government to borrow an extra £50m to help finance the redundancy programme. This money has to be paid back to the banks at commercial interest rates in a year and will have an impact on BA's plans to reach break-even point by the end of the next financial year.

A mass meeting has been called at Heathrow Airport, London, for today by leaders of the 2,000 British Airways tarmac workers who have taken industrial action over plans by BA's management to start new work rosters and work agreements.

So far the industrial action has mainly hit BA's domestic and European flights. Between 10 per cent and 20 per cent of these services were cancelled last week. Tarmac staff at Terminal 3, serving long distance flights, were not involved in the dispute until Friday, when four BA long-haul flights were delayed by a one-hour stoppage.

Shop stewards in charge of the disruptive strike action said yesterday they were certain the action would continue after today's mass meeting.

Staff at Terminal 3 will be faced with new rosters in about a week and engineers soon will be in the same position.

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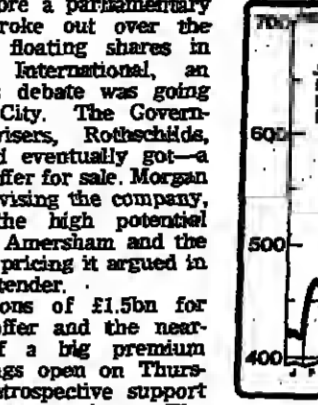
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## THE LEX COLUMN

# The City hits a tender spot



Long before a parliamentary squabble broke out over the method of floating shares in Amersham International, an acrimonious debate was going on in the City.

The Government's advisers, Rothschilds, wanted—and eventually got—a fixed-price offer for sale. Morgan Grenfell, advising the company, felt that the high potential demand for Amersham and the difficulty of pricing it argued in favour of a tender.

Subscriptions of £1.5bn for the £70m offer and the near-certainty of a big premium when dealings open on Thursday lend retrospective support to the Morgan view.

The astonishing thing is that Rothschilds was not itself inclined to sell the stock by tender, since it might have learned a lesson from handling an offer for sale—of Exco International—that had attracted an even more embarrassing level of interest.

The basic problem is that the Government does not enjoy tenders. The prejudices against them runs all the way up to the Bank of England, which only bowed to pressure to issue gilt-edged stock by tender after "giving away" taxpayers' money when it sold stocks several points cheap at the Battle of Watling Street three years ago.

There must be a danger, after last week's events, that the Government will insist on a tender for the big sale of Britoil later in the year and that the issue will flop.

The vogue for smaller markets can be traced at least partly to the poor performance of the established centres of equity values was off-generally by the steady appreciation of hard currencies. For the past two years, sterling-based investors often have been losing on both counts. Investors in the East are the latest to learn that not all EMS currencies are a perfect substitute for the D-mark.

Quality growth stocks are in short supply on the major Continental bourses, principally because immature companies rely heavily on bank finance. On the smaller exchanges, however, fund managers could find high-technology companies, often on less demanding ratings than their U.S. or Japanese counterparts.

Niro, the Danish pharmaceutical group, was an early example of what institutions were looking for—a fast-growing company with a strong international presence and a high-technology label.

In several of the smaller markets, institutions have been tempted by the prospect of tax legislation designed to promote domestic investment in equities. The announcement of the Monroy tax relief legislation in France had sunk home and fund managers assumed that a similar trend might develop.

In Sweden, where a tame version of Monroy was introduced, the market responded with a strong rise last year. But, predictably enough, supply soon rose to meet demand and share offers by the likes of Volvo, together with political uncertainty, have taken the market off the boil.

The problem for foreign institutions is not just in spotting the turn but in locating the exit when it comes. Few of the smaller markets are liquid and Sweden, for example, cramps the situation further by distinguishing between free equity, available to foreigners, and restricted shares.

In a market like Norway, the equity capitalisation of which would fit snugly into the portfolio of a major British fund, foreigners could find themselves playing an expensive game of pass the parcel. There is an obvious appeal for stockbrokers in pushing the smaller markets. But European fund managers should perhaps not try too hard to match the recent performance of their Pacific Basin colleagues.

## Open conflict threatens over Belgian 'austerity' freeze on pay

BY LARRY KLINGER IN BRUSSELS

THE BELGIAN Government yesterday imposed a curb on pay increases, froze prices, and imposed other "austerity" measures in a package designed to complement its move to devalue the franc.

The measures threaten to pit the Government against the country's trade unions. The ruling Christian Democrat-Liberal coalition suffered a setback when the Christian unions, which traditionally support government, joined socialist unions' outright condemnation of statutory wage controls.

Opposition to the government's economic programme has already led to a one-day general strike in the depressed, French-speaking south of the country, and to violent confrontations between steelworkers and police in Brussels.

The main measures announced yesterday were: CHANGES in the traditional system of automatically linking wage rises to the cost of living index.

The aim is to limit the rise in the national wage bill this year to a full three percentage points below the expected 7 to 8 per cent rise in the cost of living.

AN ACROSS-THE-BOARD prices freeze for one month, continued on a selective basis for at least a further two months.

REDUCTION of industry's energy costs by BFR 3.3bn (\$40m) through cuts of about 9.5 per cent in electricity and gas tariffs. This is to be achieved through savings on the energy industry's wage bill. Similar changes for oil are being studied.

Other measures include tax and social security payment concessions to industry to reduce costs and increase new investment, and safeguards to ensure that doctors, medical technicians and other self-employed professionals participate equitably in wage restraint. Government ministers would also suffer cuts in real incomes.

## Knight calls for 'monitor' on company strategies

By Richard Lambert

PROPOSALS for a new system of monitoring the industrial strategies of large companies are presented today by Sir Arthur Knight, a former chairman of Constatals and of the National Enterprise Board.

Sir Arthur suggests that the investing institutions might set up qualified professional teams to appraise the performance of big companies. The objectives would be to improve the quality of industrial management and to gain the support of investors for the long-term financing of business strategies, some of which might offer little early prospect of profits.

He argues in a pamphlet published by the Policy Studies Institute that the long-term financing of industrial investment requires a new attitude towards equity financing on the part of industrialists and investing institutions. For this to happen, the institutions would need to appraise industrial strategies to an extent they are not equipped to handle at present.

The proposed teams each would be led by an experienced industrialist who would take on the job for an initial three-year period in order to build up continuity. Each team would be responsible for monitoring about 20 companies, assessing and reporting on the strategies of the management, advising on their financing plans, and conducting regular reviews on progress.

## Oil tax changes

the continuing fall in the oil price. The Treasury, the Inland Revenue and the Department of Energy have been reviewing the structure of North Sea oil taxation in view of protests from the industry that the system is too complicated, is changed too often and discourages development. A review was promised following the introduction of the supplementary petroleum duty in last year's Budget.

A variety of sometimes conflicting proposals have been made by the industry. Calls for the replacement of the existing four taxes (royalties, petroleum revenue tax, corporation tax, and the supplementary duty) by a single tax seem likely to be refused.

The supplementary duty is due to expire at the end of June. If it is extended in the Budget its rate could be altered.

The Government has apparently been unimpressed by industry arguments that projects generally are being delayed by the severity of the tax system. There is now apparently some recognition at Whitehall that encouragement may have to be given for the more difficult fields coming up for exploration—especially in view of uncertainties created by the fall in the oil price.

Leaving aside any technical changes in the tax structure the decline in the oil price and fluctuations in the sterling dollar exchange rate have created major headaches for the Treasury in calculating revenue estimates ahead of the Budget.

## High technology aid

been spent so far, which shows that the Industry Department is asking the Treasury for an increase in future, rather than immediate, expenditure.

The Department also wants more funds for its Microprocessor Application Programme, introduced in 1978, which has funds of £55m, more than £40m of which has been committed.

Besides, the Department wants cash to help computer-aided design activities. It is also discussing a possible £250m joint programme with industry on advanced electronic work, dubbed "5th-

generation computers." It has told electronics companies meanwhile, that it is interested in providing help for the development of the sort of start-up technology used in mini-television sets.

These aid schemes are in line with the emphasis of departmental work from support of older industries to that of new technologies. Now £1bn of his 22th annual budget goes on older industries, such as BL and British Steel, and another £500m on regional aid, leaving only £500m for high tech-

## ADVERTISEMENT

NEWS REVIEW BUSINESS Ferranti wins £1m Thai order The Royal Thai Navy has placed an order worth over £1m with Ferranti Computer Systems Ltd for a Combat Information Centre Tactical Trainer (CICTT).

ENGINEERING Electronic inspection Ferranti plc produces measurement and inspection equipment for the engineering industry at the Scottish Group's Dalkeith factory. The Bridge Range of Coordinate Measuring Machines combines high accuracy and reliability with a realistic price.

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